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A Judge's Brief, Stormy Trial

A 'Modern' Man, A Clash of Values

By Robert G. Kaiser
Washington Post Service

WASHINGTON — "My God, this is embarrassing," a well-connected Republican groaned. "I mean, this is horrible — it is not good for the country."

The sudden withdrawal of Douglas H. Ginsburg's nomination to

NEWS ANALYSIS

the Supreme Court because of his past marijuana smoking was one of those political events that send a shudder through society.

Even before Judge Ginsburg could announce withdrawal of his nomination, other political figures were rushing to confess their own past flirtations with marijuana.

Judge Ginsburg's self-immolation was a profoundly embarrassing development for a president whose leadership was already under fire from many quarters in Washington, on Wall Street and from friendly governments abroad.

It was an embarrassment, too, for Attorney General Edwin Meese 3d, who had pressed the choice on President Ronald Reagan, and for Judge Ginsburg, a man now destined to go into history as the one-time dope-smoker who could not leap over his own past and society's taboos to a seat on the nation's highest court.

But this was more than a political matter. It was a collision among conflicting strains of the modern American culture — in this case, the reality of widespread drug use vs. puritan, often-hypocritical moralism. Judge Ginsburg is another victim of this year's public fixation with private lives.

He was the point man for a generation of Americans who are reaching the age when they will be asked to run society's institutions. It is the '60s generation, whose

See DRUGS, Page 5

Two Democrats seeking the presidency said they had smoked marijuana. Page 5.

Ginsburg Drops High Court Bid

New York Times Service

WASHINGTON — Under pressure from administration officials and his own conservative supporters on Capitol Hill, Judge Douglas H. Ginsburg has asked President Ronald Reagan to withdraw his nomination to the Supreme Court.

The judge acted after a string of disclosures about his personal life and ethical conduct had caused a storm of criticism. The White House and the Justice Department now must again a search for a nominee whose credentials can satisfy Republican conservatives and still permit confirmation in a Democratic-controlled Senate.

If the task was difficult before Judge Ginsburg's withdrawal after his admissions of smoking marijuana, it has since become much more complicated.

Angry conservative lawmakers

See COURT, Page 5

One of the wounded persons in the Northern Ireland bombing being transferred to a hospital. Reuters

Bombing Kills 11 In Ulster

Blast Wounds 55 At a Ceremony For British Dead

The Associated Press

ENNISKILLEN, Northern Ireland — A bomb killed 11 persons and wounded 55 at a memorial ceremony for Britain's war dead on Sunday in the deadliest Irish terrorist attack in five years.

The police said that six women and five men were killed, including three married couples, and that many of the wounded suffered serious injuries. At least 13 of those hurt were children from 2 months to 15 years old.

Britain's Northern Ireland secretary, Tom King, flew to Enniskillen, 65 miles southwest of Belfast, to survey the damage and visit the wounded. He said the device was a 30-pound bomb of homemade explosives.

"The outrage has scarred the face of Ireland," he said, "and there is no place on the island for people with this sort of depraved mentality."

It was the worst terrorist attack in Northern Ireland since December 1982, when a discothèque patronized by soldiers was blown up, killing 11 troops and 6 civilians.

No group took responsibility for Sunday's bombing, but suspicion focused on the Irish Republican Army, which is fighting to end British rule in Northern Ireland.

The bombing, however, brought expressions of regret from the local branch of Sinn Fein, the outlawed IRA's political wing.

Paul Corrigan, chairman of Fermanagh District Council, said in a statement that Sinn Fein was shocked by the loss of life. He added that Sinn Fein members "do not expect to escape the consequences of this explosion — even if the IRA were not involved."

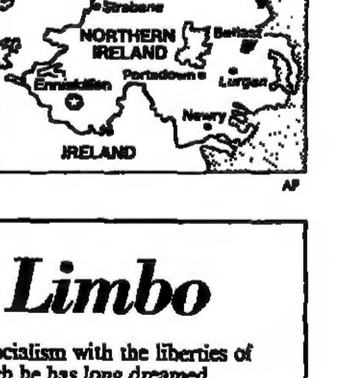
A police statement said the bomb went off in a community center near the War Memorial in Enniskillen. The bomb blew out one end of the building, which collapsed and trapped a large number of people who were standing outside waiting for the ceremony to start.

The bomb went off at 10:45 A.M. just as a parade of military personnel, bands and civilians was assembling in the County Fermanagh town, 10 miles from the border with the Irish Republic.

The ceremony was to honor Britons and members of the Commonwealth who died in World War I and World War II and in the last 19 years of sectarian violence in Northern Ireland.

Similar Remembrance Day services were held throughout Britain.

The head of the Church of Ireland, the Right Reverend Robert Eames, went to the Enniskillen hospital. "If anyone ever had any doubts at all what terrorism can do," he said in a BBC radio interview, "I just wish those who planted this bomb could see what I'm seeing at this moment."



AP

Kiosk

Reuters

Walid Khaled announcing Sunday that eight Israelis were being held.

Terrorist Group Claims It Holds Israelis Hostage

BEIRUT (AP) — The Abu Nidal Palestinian terrorist group said Sunday that its guerrillas had seized a French-registered boat off the Israeli-occupied Gaza Strip and were holding the eight Israelis on board as hostages.

Walid Khaled, a senior Abu Nidal lieutenant, told a news conference in Moslem West Beirut that the captives — three men, three women and two children — were unharmed. He said all eight captives are Israelis with dual nationalities.

Mr. Khaled warned that their lives would be "in danger" if Israel retaliated for the seizure. He declined to say when the vessel was stormed.

"We're waiting for a contact from the International Committee of the Red Cross so that Red Cross representatives can see the hostages," Mr. Khaled said in an interview later in Beirut's Mar Elias Palestinian refugee camp.

"The captives have been transferred to one of our military bases where they are being interrogated after being given the necessary medical and humanitarian aid," he said.

The Israeli Army denied knowledge of the reported hijacking. The French Foreign Ministry in Paris said it had no immediate comment.

MONDAY Q&A

Reuters

Lord Carrington, the secretary-general of NATO, reflects on what the INF treaty will mean for the alliance. Page 2.

Special Today

In the uncertain market climate, investment strategists are advising clients that safety comes first. Personal Investing, pages 7-11.

Market Crash Spotlights The West's Empty Stage

By Reginald Dale
International Herald Tribune

PARIS — More than three weeks since the international stock markets ran up the curtain on "The Great Crash of 1987," a group of key players is still missing from

NEWS ANALYSIS

center stage: the leaders of the Western world.

Efforts to control the crisis have been left largely to a supporting cast of Treasury ministers and central bankers who have sometimes seemed more interested in finding a culprit than a cure.

Many economic and political analysts believe that the West is failing the first real test of its economic leadership as it moves into a new and uncertain era.

The period of unqualified U.S. dominance of the world economy is over, they say, but other countries are as yet unwilling or unable to take up their share of the burden.

Helmut Schmidt, the former West German chancellor, is one of many who agree that the West is suffering from a "leadership vacuum." At least at the international level, there is nobody in charge.

Mr. Schmidt believes that the vacuum has existed for at least two years and is largely responsible for the "ridiculous" international economic policies that provoked the collapse of stock prices. "We are a convoy of ships without an admiral," he said.

Normally in times of crisis the other Western countries would look to Washington for leadership. But it is hard to find anyone, in Europe or the United States, who now believes that President Ronald Reagan is capable of providing it.

Nor is it easy to see where else to turn. In France, President François Mitterrand is hamstrung by the "cohabitation" arrangement that forces him to share power with a government led by his political opponents.

In Britain, Prime Minister Margaret Thatcher, though a strong personality, is more of a national than an international leader.

In Japan, Prime Minister Noboru Takeshita has only been in office since Friday and has yet to

See VACUUM, Page 15

Japanese Leader Urges U.S. to Support Dollar

By Fred Hiatt
Washington Post Service

TOKYO — The newly formed Japanese government has urged the United States in unusually strong terms to get its economic house in order and do its part to support the dollar.

Prime Minister Noboru Takeshita, who took office Friday, and his newly appointed deputy prime minister, Kiichi Miyazawa, both said Saturday that they expected the United States to abide by an international agreement on stable exchange rates. The White House has recently indicated that it will allow the dollar to slide rather than jeopardize the U.S. economy.

Mr. Miyazawa, who kept his job as finance minister while assuming the No. 2 post, was particularly harsh in urging Washington to reduce its budget deficit. He said in an interview with Kyodo news service that Japan had done its share to solve the world financial crisis by stimulating its economy and keeping interest rates low.

"If others have new demands toward Japan," he said, "we want them to get their jobs done before they say something."

Mr. Miyazawa also likened Washington's reliance on a weak-dollar policy to a dependence on drugs, Kyodo reported.

Mr. Takeshita, in his first news conference since succeeding Yasuhiro Nakasone, was more diplomatic in his comments. He said he would strive to improve U.S.-Japan relations, which he said would remain the cornerstone of Japanese foreign policy.

The White House is reported ready to negotiate on a tax increase. Page 3.

But Mr. Takeshita, a former finance minister, also made it clear that he expected Washington to cut its deficit and support the dollar.

The Bank of Japan has bought billions of dollars in recent weeks trying unsuccessfully to bolster the sagging currency. A falling dollar

See JAPAN, Page 5

Tunisian Deposed and Held Under Guard

The Associated Press

TUNIS — Habib Bourguiba, who was deposed early Saturday as president of Tunisia, was under armed guard Sunday at the presidential palace in the suburb of Carthage, the government said.

It was the first official comment on Mr. Bourguiba's whereabouts since he was removed from office by his successor under the constitution, Prime Minister Zine al-Abidine Ben Ali. Mr. Ben Ali said Mr. Bourguiba was senile.

The assumption of the presidency capped a rapid rise for Tunisia's new leader. Page 5.

Hedi Baccouche, whom Mr. Ben Ali appointed prime minister after naming himself president, told Tunisian radio that Mr. Bourguiba, who is at least 84, was being cared for by a niece, Saida Sassi, 62.

■ **Period of Uncertainty**

Edward Cody of The Washington Post reported from Tunis:

Mr. Bourguiba, who led Tunisia to independence from France in 1956 and had ruled it with an iron hand ever since, was overthrown without a struggle by the tough-minded former general who was his prime minister.

Mr. Ben Ali, 51, said he would open the way for political parties and other organizations to participate in running the country under "popular sovereignty."

He pledged in a statement to install a "responsible democracy" to replace Mr. Bourguiba's autocracy, but he stopped short of a promise to schedule elections.

The removal of Mr. Bourguiba opened a period of uncertainty in a country noted for moderation and friendly relations with the United States and Europe as well as with other Arab countries.

Mr. Bourguiba, who for some time had shown signs of his advanced age, had acted in a particularly erratic manner in the past week, diplomatic sources said. After naming a new representative to the United Nations and announcing his choice, for example, he changed his mind a few days later as if nothing had happened.

Perhaps more important, the diplomatic sources said, he was said to be considering a new trial for a group of Islamic extremists, seven of whom were sentenced to death in September on charges of plotting against the state.

Mr. Bourguiba was reliably reported at the time to have sought a death sentence for at least 20 of those on trial, seeking to set an example for fundamentalists opposed to the moderate Islamic state he has installed. The relatively small number of those sentenced to death was seen as a victory for Tunisian officials who feared large-scale executions would sully the country's reputation and increase resentment against the president.

Mr. Bourgiba named Mr. Ben Ali prime minister last month. He had been interior minister.

Mr. Ben Ali said he had organized a commission of six doctors to evaluate Mr. Bourguiba's ability to continue as president. The new government issued a communiqué in the commission's name in which the doctors said they had decided that "his state of health no longer permits him to carry out the functions of his office."

In Washington, the State Department said, "We look forward to maintaining the traditional ties between the United States and Tunisia under its new government. We hope that calm will prevail during this period."

Tunisia's neighbors, Algeria and Libya, welcomed the takeover, as did France and Egypt, news agencies reported.

Mr. Ben Ali strongly indicated a desire to see political life broadened after years during which Mr. Bourguiba, who was named president for life in 1975, grew increasingly intolerant of opposition.

Mr. Ben Ali declared that "the era we live in can no longer stand for a president for life, nor an automatic succession to the head of the state from which the people finds itself excluded."

L. Gromeau-L. Rebours/The Associated Press

Zine al-Abidine Ben Ali waving in Tunis after taking over the presidency from Habib Bourguiba, who was deposed.

Hussein Warns Arabs on Disunity

By Patrick E. Tyler
Washington Post Service

AMMAN, Jordan — King Hussein opened a meeting of 16 Arab heads of state Sunday night, warning that a disunited and weakened Arab world could not stop the Gulf War from spreading and could not solve the Arab-Israeli conflict.

Hussein, who spoke for an hour to a closed session of delegations representing 21 Arab League countries, called on Arab leaders to stop using "profit and loss" motives to determine national interests.

He also called for Egypt's reentry into the league, saying that its absence "further contributes to weakening the underpinnings of the Arab order."

The Jordanian foreign minister, Taher al-Masri, briefed reporters on the king's remarks. The closed session adjourned after Hussein's speech and was to resume Monday.

Syria and Iraq were expected to submit proposals Monday, with Iraq seeking a strong condemnation of Tehran and an endorsement of an international arms embargo against Iran. It is believed that Syria will seek a call for the withdrawal of foreign fleets from the Gulf, a position that Iran and the Soviet Union also advocate.

Although King Fahd of Saudi Arabia and King Hassan II of Morocco did not attend the summit meeting, Jordanian officials expressed satisfaction at the turnout. The Saudi delegation was headed by Crown Prince Abdallah; Hassan's 24-year-old son headed Morocco's delegation.

Jordanian officials did not know until Sunday whether Libya would send a delegation. Colonel Moammar Gadhafi had announced that he would not attend. When the conference opened, Libya's seat was filled by Major Abdel Salam Jalloud, Colonel Gadhafi's deputy, who arrived via Damascus.

Jordanian officials said the presence of the Syrian president, Hafez al-Assad, and President Saddam Hussein of Iraq would enable the participants to deal with the most urgent Gulf War issues.

Syria continues to support the war effort of non-Arab Iran. Much of the summit meeting will be devoted to trying to reach an Arab consensus on support for the enforcement of a UN cease-fire resolution, which calls for an arms em-

See ARABS, Page 5

Philip Taubman/The New York Times

Andrei D. Sakharov and his wife, at their home in Moscow.

Sakharov Is Out of Exile but Still in Limbo

By Bill Keller
New York Times Service

MOSCOW — On a typical day, two or three supplicants find their way to the unmarked apartment of Andrei D. Sakharov.

Some want his endorsement, like the con man who recently showed up on the doorstep claiming to have invented a perpetual motion machine. Most want his influence, believing that a Sakharov telegram or news conference carries magical force against the arbitrary power of the authorities.

"Of course there is absolutely nothing I can do to help them," the physicist said dolefully the other evening over tea and pastries in his living room. "It can be very upsetting. Sometimes it knocks me off balance for the rest of the day, and I can't get any work done."

More than 10 months after he was freed from internal exile in the city of Gorky, which is closed to foreigners, the Nobel Prize-winning human rights advocate lives with greater liberty, but still in a kind of limbo.

He is allowed to pursue his work in theoretical physics, but he has been denied permission to go abroad. He is available to visiting dignitaries and occasionally to the foreign press.

Mr. Sakharov, 66, remains a revered figure for dissidents, but his age and poor health have curtailed his activities in human rights.

Occasionally he sends a telegram or holds a news conference on behalf of a political prisoner, and no visitor leaves his apartment without hearing an appeal for those still in the labor camps. But he is wary of squandering what influence remains to him.

And he is partly estranged from the severest critics of the Soviet system, especially those who have emigrated to the West, because he urges support for Mikhail S. Gorbachev, the Soviet leader, as the best hope for change.

The other evening a visitor could sense that Mr. Sakharov's optimism had been severely tested. Progress on human rights has fallen short of his standards, and he sees the changes that have taken place as being precarious.

His face sagged when he was told that two former political prisoners, Sergei I. Grigoryants and Lev M. Timofeyev, had been detained by the police a few hours earlier; they were released later that day.

"This disturbs me," he said of the detentions, adding that "it reminds me of 1972," a period of heavy repression.

"The times are changing slowly, and in some ways, not at all," he said, then caught himself at the brink of pessimism. "But the changes are real."

Soviet officials seem to encourage his meetings with foreign visitors, knowing he will tell them that the changes are not merely cosmetic and that unless Mr. Gorbachev succeeds the Soviet Union will revert to repression and military adventurism.

Mr. Sakharov sees something in the Soviet leader that Mr. Gorbachev himself has never publicly expressed, the possibility of a system merging what the physicist regards as the economic justice of socialism with the liberties of capitalism, of which he has long dreamed.

The Soviet public has had only a few glimpses of Mr. Sakharov since his release. In February he was invited to appear at an international forum in Moscow, and a few of his comments supporting disarmament and opposing the U.S. strategic defense initiative were later televised.

In an interview last week with Moscow News, Mr. Sakharov, one of the developers of the Soviet hydrogen bomb, commented at length about a recent television film on Soviet and U.S. rocket programs, disclosing, apparently for the first time in the Soviet press, that Klaus Fuchs, a German-born scientist, "transmitted to the U.S.S.R., both during and after the war, highly important atomic secrets out of ideological conviction."

Fuchs was convicted in 1950 of having given British and U.S. secrets to the Soviet Union.

Mr. Sakharov said he had been denied permission to accept invitations to speak in the United States, Canada and Western Europe on the ground that he once had access to secret information.

The other evening he was told that a poll of Muscovites found strong disapproval of freeing political prisoners. He seemed disappointed.

"Andrusha," his wife said gently, "that surprises you? We know a large majority of people deeply hate people like us, because we can say what we think, and they cannot."

Carrington Reflects on NATO's Defense Outlook After INF

The security outlook in Europe after an Intermediate Nuclear Forces treaty eliminating medium- and shorter-range nuclear missiles preoccupies Lord Carrington, the secretary-general of the North Atlantic Treaty Organization. At his Brussels headquarters, he talked to the IHT's political correspondent, Joseph Fitchett, about the West's defense agenda.

Q: Do you see risks in the proposed INF treaty?

A: This agreement will change the landscape of European security considerably, perhaps as profoundly as any development in a generation. It is no green light for nuclear disarmament in Europe — we should not simply keep our foot on the accelerator. But we can be mature enough to accept a good disarmament success when we have one.

Q: After an INF treaty, what is likely to be the next security development?

A: The issues next year are going to be complicated by the U.S. presidential elections. I hope the Soviet Union won't regard the elections as a bar to discussions. They may be a bar to ratification. Considerable progress has been made on the START talks [about cuts in intercontinental missiles], which are the negotiations now most in the minds of the NATO countries and are probably the priority next year.

•

Q: After an INF treaty, many analysts expect Mikhail Gorbachev to launch a campaign of disarmament initiatives next spring to color the political climate in Europe. Do you agree?

MONDAY Q&A

A: Of course he will. He will bombard public opinion with proposals. We've already had lots. In point of fact, many of them — like the INF agreement — are Western proposals that his predecessors rejected. Others of his suggestions sound superficially appealing, but aren't really serious.

I hope we're going to go on negotiating with the Soviet Union, which, thank goodness, has become a more active negotiating partner. But we mustn't overemphasize arms control talks to the point of neglecting issues such as human rights, regional conflicts and confidence-building measures, which go to [reducing] the basic distrust between the two sides.

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Q: Are you worried about a public perception that NATO is becoming merely reactive and is losing the initiative, particularly in arms control, to a more imaginative Soviet leadership?

A: We all know this is untrue. It is the West that has produced serious proposals — the double-zero solution to INF missiles, the 50-percent cut in START. NATO is slower to get our act together because we're democracies. But we do have to do better in putting our positions across to our publics.

Q: The Soviet Union seems likely to suggest troop cuts in Europe soon. Is NATO going to be fast enough in offering proposals on conventional arms reductions?

A: We shall have proposals. But the problem is infinitely more complex than nuclear disarmament, where you count the weapons and then decide what to do. In trying to reduce the confrontation in central Europe, you're talking about geography from the Atlantic to the Urals, about men, weapons systems — and dozens of nations instead of just two superpowers. I don't expect a breakthrough on conventional arms control soon.

•

Q: Is disarmament the main Western priority for next year?

A: We have to keep looking at the Warsaw Pact's formidable capabilities in Europe. So while trying to reduce the imbalance and overall level of weaponry by arms control, we've got to improve our own capabilities. The main priority in this respect is better cooperation among alliance countries in developing new weapons systems.

Q: It's an old theme at NATO, which appears even more urgent now with worsened economic prospects after the stock market crash. Is there any reason for optimism now?

A: The most hopeful development is the realization by European governments — all of them — that the sophistication and cost of modern conventional weapons is so great that there is no way that any one country can do it all themselves. That's making all the European countries want to collaborate industrially on defense.

And we have to pay more attention to the NATO commanders' priorities about the new arms they will require. I'm trying to get governments to think ahead collectively and not just nationally and in the light of each service's wishes, about what new weapons the alliance as a whole is going to need.

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Q: What kind of problems do you anticipate your successor, due to take over at NATO next year, will face?

A: *Money for defense*: Since alliance countries on present projections cannot remotely match the Soviet Union, we must get more for our money.

Trans-Atlantic relations: U.S. feelings that Europe is not spending enough on defense, accusations about protectionism, the falling dollar — all of these are factors that make people in the United States and in Congress look again at their commitments, so Europeans must realize that they are going to be required to do more.

He will face a new problem in this respect: the more successful arms control negotiations are, the more vital it becomes to make our constituents realize the need for prudence. We have to remain cautious until the Soviet Union reduces its capacity for offensive operations closer to the level of weapons it needs for defense.

Mrs. Gorbachev Plans To Attend the Summit

Washington Post Service

MOSCOW — Raisa Gorbachev, wife of the Soviet leader, has indicated that she will go with her husband to the summit meeting next month in Washington — "if it takes place."

She made her cautious comment in a brief conversation Saturday with a reporter from The Washington Post and two other Western journalists during the Red Square parade.

Although security men were standing close by, they did not move to interrupt the conversation — a departure from an earlier era when the families of Soviet leaders were kept at a distance from the press.

Informality is a style the Gorbachev family shares and seems eager to promote. Mrs. Gorbachev, a sociologist who is on the board of the newly formed Cultural Fund, seemed at ease talking with reporters and others.

Mrs. Gorbachev's frequent public appearances at her husband's side have caused some resentment among the Soviet public, however, because many think that wives should not be so visible.

With the reserve that is expected of the families of top Soviet leaders, Mrs. Gorbachev declined to say where she grew up in the Soviet Union, saying only that she was from Russia. "Russia — that is my homeland," she said. "I am from Russia. Everything that Russia has, I share."

■ Revolution's 70th Year

Francis X. Clines of The New York Times reported from Moscow:

The Soviet Union celebrated its 70th anniversary with a martial parade of the old trappings of the Bolshevik Revolution and the new watchwords of the revolution's latest leader, Mikhail S. Gorbachev.

"Democracy, restructuring, speedup" was proclaimed in giant Cyrillic letters near a vivid red banner depicting Lenin and looking resolutely upon the Red Square festivities as Mr. Gorbachev led the nation into its eighth decade.

Old machine-gun carriages drawn by four-horse teams — the *tachankas* of revolutionary times — rattled across the cobbled square in counterpoint to the modern Red Army's wheeled rocket launchers.

The rhetoric of the day ranged from hopeful anticipation of Mr. Gorbachev's summit meeting in Washington next month with President Ronald Reagan to a stern vow to keep the nation so militarily prepared that "no one would dare to disrupt its peaceful life."

Both points were made by the main speaker at the two-hour parade, Defense Minister Dmitri T. Yazov.

The Associated Press

Cavalrymen in uniforms similar to those worn during the Bolshevik Revolution parading Saturday through Red Square.

U.S. Officials Prepare Way For Arms Bill

By Michael R. Gordon
New York Times Service

WASHINGTON — White House officials and congressional leaders have worked out the basic elements of a compromise over arms control issues that until now had placed the two sides on a collision course, according to administration and congressional officials.

The compromise would remove a major barrier to the adoption of a new military spending bill of about $290 billion.

The compromise, which officials said Saturday was still being formalized, would temporarily resolve disputes over adherence to the 1972 Anti-Ballistic Missile Treaty and the unratified SALT strategic arms treaty of 1979.

The question of how to interpret the ABM treaty has put the Congress and the White House at loggerheads. It is also a critical issue separating the United States and the Soviet Union in their efforts to conclude a treaty reducing long-range arms.

The Senate has adopted an amendment that would block the administration from acting on its "broad" interpretation of the ABM treaty for two years without the approval of Congress. The House has passed a similar amendment.

President Ronald Reagan has threatened to veto legislation that would prevent him from acting on the administration's "broad" view, which would allow an expanded pattern of testing for space-based anti-missile defense.

Under the reported compromise, the Congress would stipulate that funds approved for the 1988 fiscal year would be only for the current schedule of Strategic Defense Initiative tests, all of which conform to the traditional restrictive interpretation of the ABM treaty.

Funds could not even be used to buy hardware for possible future tests that would go beyond this schedule and that would violate the strict interpretation of the treaty.

But the legislation will not affirm the traditional interpretation, and the issue will have to be faced again next year.

Officials said an accommodation had also emerged on the issue of the 1979 strategic arms treaty which was never ratified by the Senate. Mr. Reagan has ended American adherence to the treaty and threatened to veto legislation that would compel the United States to adhere to it.

The Senate and the House have passed amendments that would compel American adherence to main treaty limits as long as the Russians observe those limits.

Under the emerging formula, Congress would require the administration to withdraw an old Poseidon submarine from service in the fiscal year instead of overhauling it so that it could be sent out to sea.

This would result in an estimated saving of $110 million. But no reference would be made to the 1979 treaty.

This move would not bring the United States into compliance with the 1979 treaty's limits because it would not completely compensate for the deployment of bombers carrying cruise missiles, congressional experts said.

■ Soviets Focus on Treaty

Philip Taubman of The New York Times reported earlier from Moscow:

Senior Soviet officials said Saturday that high-level attention would be required to resolve remaining technical differences in a treaty to eliminate intermediate range missiles.

Yuli M. Vorontsov, first deputy foreign minister, said he and other Soviet officials would be involved in ironing out unresolved issues about verifying compliance with the accord, which Mikhail S. Gorbachev and Mr. Reagan are expected to sign in Washington next month.

Foreign Minister Eduard A. Shevardnadze said he might meet again with Secretary of State George P. Shultz to make final preparations for the summit meeting, which is scheduled to begin Dec. 7.

"Another meeting is possible," Mr. Shevardnadze said.

These and other top officials, speaking with Western reporters at a Kremlin reception, said they did not anticipate that any of the outstanding issues would pose a serious obstacle to concluding the treaty in time for Mr. Gorbachev's visit.

They suggested that high-level intervention would be needed to bring the two sides together in Geneva, where Soviet and American negotiators are drafting the treaty.

During the reception, Boris N. Yeltsin, a non-voting member of the Politburo who threatened to resign as head of the Moscow party organization, stood apart from his colleagues, seemingly ill at ease. There were prolonged periods when no one spoke to him.

Mr. Yeltsin stunned a meeting of the Central Committee on Oct. 21 by complaining that the pace of change was too slow and threatening to leave his Moscow post.

Getting Ready for the Next Disasters

In San Marino, Planning for Atomic or Chemical Trouble

By Barry James
International Herald Tribune

San Marino, a diminutive republic that does not have an army, a nuclear power station or even a chemical plant, is staging the world's first international symposium on how to manage the after-effects of a major nuclear or toxicological disaster.

With the accident at the Chernobyl nuclear plant in the Ukraine 18 months ago clearly in mind, 120 doctors and health professionals are attending the course in the republic's mountaintop capital southwest of Rimini, Italy.

Dr. William Gunn, vice president of the organization responsible for the course, the newly created European Center for Disaster Medicine, said the plan was to set up an international body of professional experts who could quickly respond if a catastrophe such as the Chernobyl accident occurred in Western Europe.

Dr. Gunn said that until now there had been little in the way of preparedness for disasters on a cross-border scale.

"These things will happen," he said in a telephone interview. "You hope they won't, but you must be prepared for them all the same. For this, you need knowledgeable people."

With no nuclear pretensions of its own, and no polluting industries, San Marino, an independent country of 24,000 people entirely surrounded by Italy, was a suitably neutral place to establish the center for disaster medicine last year.

"This is a small country that thinks big," said Dr. Gunn, a Canadian surgeon who until recently was director of emergency relief operations at the World Health Organization.

The center was established under the auspices of the 21-nation Strasbourg-based Council of Europe, and the decision to run a symposium specifically dealing with nuclear and toxicological disasters was made after a meeting of environment ministers from France, Greece, Italy, Luxembourg, Malta, Portugal, Spain and Turkey.

During a three-week period, professionals at the course are attending lectures and participating in role-playing workshops designed to develop their powers of making life-and-death decisions during a catastrophic disaster.

Part of the process is learning triage, the process of sorting the survivors who have hope of living from those who do not, and the lectures included one on ethics by a professor from the Pontifical Academy of Sciences in Rome.

"For a doctor trained to look after one patient at a time and give all to save human life, it is hard to consciously let someone die in order to concentrate on someone who has a better chance to live," Dr. Gunn said. "Some doctors find this extremely stressful, but it is something that cannot be ignored."

Some of the people attending the course went on their own initiative; others were sent by hospitals or university medical faculties and some were sponsored by national civil defense organizations.

Some participants have relevant background, such as a speciality in nuclear medicine, or disaster experience gained during the Ethiopian drought. But none have undergone previous training in large-scale disaster management.

Dr. Gunn said the course was the first of its kind and was likely to be repeated next year. He said that events such as the Chernobyl accident or the pollution of the Rhine River by a Swiss chemical company in November 1986 had international ramifications, yet showed "a total lack of preparedness" to deal with catastrophic events on an international scale.

"For the first time," he said, "there will be a body of people who will be able to speak to one another across frontiers under disaster conditions. We hope this course will have a snowball effect — that these people will go home and train others."

Once a list of such experts has been established, it will be given to organizations such as the World Health Organization and the United Nations Disaster Relief Organization.

"The international organizations do have standing teams that can be rushed to disasters," Dr. Gunn said. "That is why we are interested in creating a bank of trained people who would be available in the event of a major crisis. During normal times, they would continue doing their normal jobs."

WORLD BRIEFS

Dispute Preceded Thailand Air Crash

BANGKOK (AFP) — The crash of a Thai Airways plane at Phuket Island that killed all 83 people on board in August followed a dispute between the control tower and the pilots over landing priority and clearance, a transcript of their taped conversation published here has disclosed.

The transcript of the final conversation between the Thai Airways Boeing 737 and Phuket airport was carried in a report in the pro-government Bangkok Post newspaper on Friday and confirmed as accurate by airline officials Saturday.

According to the transcript, the pilot of the Thai plane believed that a plane belonging to Hong Kong Dragon Airlines was trying to land in front of him. "They are trying to sneak in," the transcript quotes the Thai Air pilot as saying. The accident occurred during discussions as to which plane was entitled to land first.

Italy Votes on Nuclear, Judicial Issues

ROME (Reuters) — Italians began voting Sunday in five referendums on nuclear power and judicial reform.

Initial results from the two days of balloting are expected Monday evening, with opinion polls suggesting a majority of voters in favor of doing away with existing laws on the various issues. The Socialist Party of former Prime Minister Bettino Craxi, the second largest in the five-party governing coalition, is the main sponsor of the referendums and argues they are needed to break parliamentary inertia on the issues.

The most controversial referendum could make judges personally liable to civil damage suits for alleged wrongful conviction and other errors. In three other referendums, voters will be asked whether Parliament rather than ministers should be allowed to decide where to put new nuclear power plants, whether subsidies to the towns where they are sited should be ended and whether Italy should cease participating in nuclear projects abroad. The fifth holds out the prospect of making ministers directly accountable to Parliament for alleged offenses in office.

Jayawardene Upbeat After India Visit

NEW DELHI (Combined Dispatches) — Prime Minister Rajiv Gandhi said after three days of talks with President Junius R. Jayawardene of Sri Lanka that differences remained on how to end the civil war in Sri Lanka. Mr. Gandhi added, however, that he was satisfied with the outcome of the talks.

Mr. Jayawardene said Saturday before leaving India that the meeting had reached "happy conclusions," and he referred to the discussions as useful. But he said he planned no changes in legislation to carry out the accord between India and Sri Lanka to end fighting by Tamil rebels. The legislation apparently the source of differences between the two leaders.

Sri Lankan newspapers reported Sunday that Indian troops trying to disarm Tamil guerrillas killed 11 rebels in the Jaffna Peninsula. More than 20,000 Indian troops have been posted to Sri Lanka to disarm Tamil guerrillas and other groups opposed to the July 29 accord, which calls on India to disarm the Tamil rebels in exchange for Sri Lanka granting more autonomy to minority Tamils in the northern and eastern parts of the island. *(AP, Reuters)*

UNESCO Approves Mayor as Director

PARIS (NYT) — UNESCO's General Conference has voted overwhelmingly to elect Federico Mayor Zaragoza, a former Spanish education minister, as its next director-general.

After being approved, 142-7, the 53-year-old biochemist said one of his top priorities would be to persuade the United States and Britain to rejoin the organization. The United States left the 158-member organization in 1984 and Britain the next year after protesting that the United Nations Educational, Scientific and Cultural Organization was poorly managed, wasted money and had an anti-Western bias.

On Oct. 18, Mr. Mayor's supporters outmaneuvered those of Amadou-Mahtar M'Bow, the incumbent director, to allow the Spaniard to win the nomination of the Executive Board by a 30-20 vote. But there were reported efforts by Mr. M'Bow's embittered supporters to seek to deny Mr. Mayor the backing of the General Conference. Those efforts were abandoned, however, when the Arab bloc threw its 20 votes behind Mr. Mayor.

For the Record

The Food and Agriculture Organization opened a two-week conference in Rome on Saturday that will include the election of director-general of the UN agency. *(AP)*

Judicial officials in Florence said eight men, including a reputed Mafia figure, Pippo Calo, had been ordered to stand trial for a Christmas train bombing in 1984 that killed 15 people and wounded 230. The bomb went off on a Naples-to-Milan train in a tunnel outside Florence. *(Reuters)*

Nearly 3,000 Japanese farmers and their supporters held a rally on Sunday protesting plans to expand the Narita international airport. The police said there were minor clashes but no arrests. *(AFP)*

The World Bank announced it was giving drought-related assistance of more than $500 million to India. The bank said it was seeking to ease India's growing balance-of-payments squeeze. *(NYT)*

South Korean policemen fired tear gas and charged into thousands of student protesters who tried to march from a college campus on Sunday after listening to Kim Dae Jung call for fair presidential elections. *(AP)*

TRAVEL UPDATE

Pan Am-Aeroflot Service Set for May

MOSCOW (AFP) — Pan American World Airways and the Soviet carrier Aeroflot will start a joint Moscow-New York service in May, the U.S. airline's president, Charles Acker, said in an interview with a Soviet newspaper published Sunday.

The first nonstop flight by a Boeing 747 bearing the insignia of both airlines is scheduled for May 15, Mr. Acker told the daily Sovetskaya Rossiya. Aeroflot and Pan Am agreed in talks earlier this year on three weekly direct flights.

Tourism is up nearly 30 percent in the British Virgin Islands, officials there said. They said that of the 161,100 tourists who visited in 1986 and spent $100 million, about 113,000 were from the United States, 6,800 were Canadian and 3,950 were British. *(AP)*

This Week's Holidays

Banking and government services will be closed or their hours curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Pakistan.

TUESDAY: Bangladesh, Panama.

WEDNESDAY: Angola, Belgium, Bermuda, Bhutan, Canada, France, Guam, Monaco, Puerto Rico, Switzerland, United States.

THURSDAY: Bhutan, Taiwan.

FRIDAY: Bhutan.

SATURDAY: Ethiopia, Guinea-Bissau, Jordan.

SUNDAY: Brazil.

Source: Morgan Guaranty Trust Co., Reuters.

DOONESBURY

White House Reported Set To Bend on Tax Increase

Court Rebukes Counsel Handling Iran-Contra Affair

White House Reported Set To Bend on Tax Increase

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — Treasury Secretary James A. Baker 3d has told congressional budget negotiators that he is ready to discuss a substantive package of tax increases but that in return he wants a commitment from Democrats on how much domestic spending they are willing to cut, according to participants in the talks.

Mr. Baker, who did not mention specific tax increases, made his offer Friday, partly in an effort to move the Democrats toward an agreement, the officials said.

But they also said Mr. Baker's offer reflected his new effort to press for an agreement as quickly as possible to show U.S. allies, especially West Germany, that the Reagan administration was working to reduce the federal budget deficit, which was $148 billion in the fiscal year ended Sept. 30.

The officials said pressure from the administration to forge an agreement quickly had made it unlikely that the House, the Senate and the White House could produce a proposal that would save significantly more than their minimum goal.

The talks, which began two weeks ago, are aimed at producing a package of tax increases and spending cuts that would reduce the budget deficit for the fiscal year 1988 by at least $23 billion. Without a compromise, $23 billion in spending cuts, half of them in the military budget, would go into effect automatically on Nov. 20 under the budget-balancing law.

House and Senate Democrats appeared to be caught off guard by the proposal of a $30 billion deficit-reducing package by House Republicans, with the general backing of the White House.

The talks will resume Monday when the Democrats will continue to review the Republican proposal.

Mr. Baker has been criticized in some quarters for his handling of economic policy before and after the stock market plunge of mid-October that increased pressure to reduce the budget deficit and brought about the negotiations.

He shifted policy last week as the United States decided to let the dollar continue to fall in world markets and let interest rates decline to lessen the possibility of a recession.

One official said he was worried that Mr. Baker might be willing to accept a proposal that was not as tough on spending cuts as he would normally want, just to reach an agreement soon.

"Jim Baker badly wants a deal, any deal, that he can show to the Germans and our allies," said an official involved in the talks.

While the discussions had touched on a proposal to limit to 2 percent the cost-of-living increases for Social Security and other federal programs, which would be one of the main ingredients in any major package, several officials said they did not think it was possible to reach a compromise on such a plan.

Representative Thomas S. Foley of Washington, the House majority leader and the Democrats' lead negotiator, said that any cut in Social Security was not a part of the negotiations.

But Senator Lloyd Bentsen, Democrat of Texas, one of the negotiators, said he still thought there was a chance for what has become called a "mega" plan, one that would save significantly more than $23 billion in 1988 and much more in 1989.

Court Rebukes Counsel Handling Iran-Contra Affair

Washington Post Service

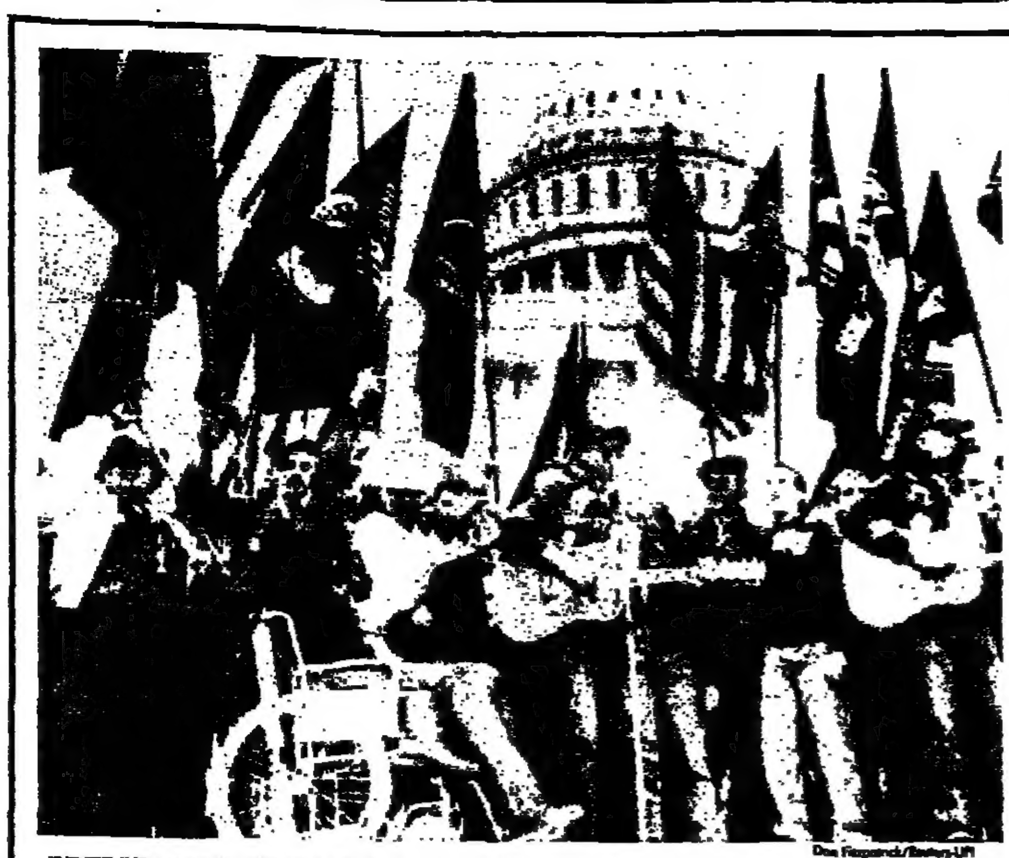
WASHINGTON — In a sharp rebuke to Lawrence E. Walsh, the independent counsel investigating the Iran-contra affair, a federal appeals court has dismissed a contempt citation against an arms dealer, Albert A. Hakim, for refusing to surrender the records of eight foreign companies linked to the affair.

Handing Mr. Walsh his first court defeat, a three-judge panel of the U.S. Circuit Court of Appeals held Friday that a lower court had erred in rejecting Mr. Hakim's Fifth Amendment claims that he might incriminate himself by complying with a grand jury subpoena for the records.

The 32-page ruling sent the case back for further hearings in U.S. District Court, where Judge Aubrey E. Robinson Jr. ordered Mr. Hakim jailed for civil contempt on July 30. Mr. Hakim's appeal stayed the execution of the order.

The appeals court judges said Judge Robinson was wrong in holding that he could enforce the subpoenas simply because he had personal jurisdiction over Mr. Hakim. In remanding the case for further hearings, the panel said that Mr. Walsh "must show that the district court has personal jurisdiction over each of the companies whose records it seeks."

Mr. Hakim, one of four publicly named targets of Mr. Walsh's criminal investigation, served as financier and negotiator for many phases of the U.S.-Iran arms-for-hostage schemes. He played a key role in setting up Swiss bank accounts as a repository for the arms sales profit.



Don Fitzpatrick/Reuters-UPI

PRELUDE TO VETERANS DAY — Vietnam veterans gathering on the steps of the Capitol building in Washington to press their concern about soldiers still unaccounted for from the Vietnam War. Veterans Day is celebrated on Nov. 11 in the United States.

AMERICAN TOPICS

Nighttime Jogging Revives Central Park

More joggers than muggers are frequenting Central Park in Manhattan these nights. Fred Lebow, president of the New York Road Runners Club, which organizes group runs in the park three nights a week, says there is safety in numbers. He told The New York Times that the park is enjoying a "renaissance" and is much safer than it was a decade ago.

Statistics bear him out. As of July there had been two murders in Central Park this year, compared with one last year during the same period, according to a police spokeswoman. But robberies declined 12 percent and grand larceny 21 percent in the first seven months of this year. There was one rape fewer than the seven reported last year. She said few of the incidents involved runners.

"No one robs people running around in their underwear," the parks commissioner, Henry J. Stern, says. "If they are accosted they can outrun their attackers. They are difficult quarry."

Even so, runners say they are careful. Many refuse to wear stereo headphones at night, unlike their daytime counterparts. Many run with partners or in groups. Jacqueline Lebow, 26, a buyer for a department store, uses a trick her grandmother taught her. For protection, she places one key between each finger until she has created a claw of keys.

Short Takes

The step-granddaughter of a man whose initials, RLB, appear on jewelry from the Titanic says she has no plans to claim it and wishes it had been left in the sunken ocean liner. The Titanic's passenger list showed Richard L. Beckwith, who survived the sinking, as the only person on board with those initials. Sally Behr Pettit of Wilmington, Delaware, said her family seldom discussed the disaster and never mentioned what they had left behind. She said she did not feel the jewels were hers "and did not favor their recovery in the first place."

The bicycle once seemed the environmentalist's dream: no pollution, no traffic jams. Then came the heavy-framed, fat-tired mountain bike with 15 gears or more. The Washington-based Bicycle Federation of America says the number of such bikes has grown from 200,000 in 1983 to 2.6 million in 1986 and will double again this year. Complaints also are multiplying about bikers speeding, raising dust, crowding hiking and horseback trails and ruining vegetation. The bikes have been banned or restricted to fire roads on public parks and trails in California, Colorado and elsewhere.

Model apartments typically cost $30,000 to $80,000 to decorate and furnish, but are considered indispensable by the builders of new condominiums and by potential customers. Some people are even interested in buying model apartments, The New York Times reports. They might be newly divorced, or simply out-of-towners seeking a pied-à-terre. "If you like to decorate, I guess you don't buy a model," said Randy Seltzer, 31, a businessman who moved into a Manhattan model apartment in January and has changed it very little. "I brought a toothbrush and clock with me," he said. "That's about it."

Notes About People

Representative Patricia Schroeder, the Colorado Democrat who coined "Teflon president" to describe Ronald Reagan, says the current Wall Street market is neither bull nor bear, but a kangaroo that jumps up and down. "Kangaroos are tough, resilient and adaptable to all kinds of terrain and hardship," she said. "In other words, if you think the kangaroo market is going to disappear, guess again."

Buddy Rogers, 83, told a Washington audience at a revival of his 1927 hit film "Wings" that Clark Gable warned Mary Pickford, "America's Sweetheart" of the silent film era, not to marry Buddy, who was 11 years younger. Gable said it would not last. It lasted 43 years, until Mary's death in 1979.

—ARTHUR HIGBEE

U.S., in Shift, Ponders Direct Talks With Nicaragua

By John M. Goshko
Washington Post Service

WASHINGTON — The United States is considering direct talks with Nicaragua about Central American security issues. The development follows the Sandinist government's agreement to discuss a cease-fire with U.S.-backed contra rebels through an intermediary.

An earlier nine-round series of discussions in Manzanillo, Mexico, was broken off by the United States in 1984. U.S. officials have said since then that they would not deal directly with the Sandinists until Managua agreed to open communications with the contras.

However, U.S. officials said Saturday that the United States is reassessing its position in light of President Daniel Ortega Saavedra's announcement last week that he would ask his country's Roman Catholic primate, Cardinal Miguel Obando y Bravo, to act as an intermediary in indirect talks with the contras about implementing the cease-fire called for under the five-nation Central American peace agreement.

Nicaragua signed the agreement, which was implemented last week and is supposed to be fully in effect by Jan. 4.

Sandinist radio said Saturday in Managua that Mr. Ortega is to visit the United States on Wednesday for a meeting of the annual Organization of American States assembly. There was no indication that he would meet with senior U.S. officials.

U.S. officials stressed that before the Reagan administration responds to Mr. Ortega's call for direct U.S.-Nicaraguan talks, Managua's dialogue with the contras must begin, and show signs of being serious. In the meantime, officials have indicated that they are holding off until January on a request of $270 million in military aid for the contras.

Even if all conditions are met, the officials said, the United States has not made decisions about the format, context or timing of any talks with Nicaragua. In particular, the officials continued, Washington wants to consult closely with the four other countries that are parties to the regional peace agreement: Costa Rica, Honduras, El Salvador and Guatemala.

The officials noted that some of these countries, in particular Honduras and El Salvador, have expressed concern that the United States might reach an agreement with Nicaragua resolving its concerns in the region but not those of neighboring countries.

The United States has expressed particular concern about Nicaragua's military and political ties with Cuba and the Soviet Union and wants commitments that Nicaragua will not receive fighter planes and other advanced weaponry

The Central American countries, are more concerned about such issues as the size of the Nicaraguan armed forces and the logistical and other assistance it extends to leftist guerrillas in neighboring countries.

According to the officials, the consultations with the other four Central American nations will begin this week during the OAS assembly, which is to open Monday. Foreign ministers of all four countries will attend the assembly and the officials said it would be the logical place for high-level talks that would include Secretary of State George P. Shultz and other U.S. officials.

After the signing of the peace agreement in Guatemala on Aug. 7, Mr. Ortega rejected the idea of negotiating with the contras and demanded direct talks with the United States, asserting that Washington controls the contra movement.

His government changed its position only after heavy pressure from leaders of the four other countries.

Some Sandinists Balk At Overture to Contras

By Julia Preston
Washington Post Service

MANAGUA — The proposal by President Daniel Ortega Saavedra of Nicaragua for indirect cease-fire talks with U.S.-backed rebels through an intermediary has drawn praise in many quarters of Central America, but not in his own country.

Scant press coverage of the unexpected announcement, made to meet a deadline for implementation of a Central American peace plan, hinted at the heat that Mr. Ortega is taking within the Sandinist National Liberation Front for his decision.

The official Sandinist newspaper Barricada devoted two and a half pages to the Thursday speech, in which Mr. Ortega announced that the government would seek to arrange a nationwide cease-fire with the rebels, or contras, through indirect talks. But the newspaper devoted only one paragraph to the new dialogue.

On Saturday morning Barricada reported on its front page that Mr. Ortega had met Friday with Cardinal Miguel Obando y Bravo to ask the prelate, a staunch critic of the Sandinists, to serve as the intermediary in the talks. But the article did not mention with whom the dialogue would be held.

Elsewhere in the region, though, the response to Mr. Ortega's announcement was favorable. President Oscar Arias Sánchez of Costa Rica, who authored the peace plan and won the Nobel Peace Prize as a result, called the indirect cease-fire talks "a positive gesture" that has made him "more optimistic than ever" about the success of his peace plan, signed on Aug. 7 by the presidents of five Central American countries.

"The main obstacle to peace is intransigence," Mr. Arias said, "and Ortega has demonstrated he has the necessary flexibility."

According to diplomats and government officials in the region, Mr. Ortega had the backing of most of the key members of the nine-member Sandinist National Directorate. A West European official, who met for two hours with Interior Minister Tomás Borge Martínez the day before the announcement, said Mr. Borge already was aware of, and supported, Mr. Ortega's decision to open an indirect dialogue with the contras.

The decision was momentous for the Sandinist government because it conferred new legitimacy on the contras. Before this week, the Sandinists had dismissed them as mercenaries and demanded bilateral talks with Washington.

Mr. Ortega's announcement was an indication of the extensive risks he is willing to take to keep alive the peace process, which could bring an end to U.S. funding for the rebels.

One Sandinist leader who seemed taken aback by Mr. Ortega's speech was Bayardo Arce Castaño. Mr. Arce, who attended the speech along with about 30,000 other Sandinist supporters, grimaced in front of television cameras as Mr. Ortega made the announcement.

However, Mr. Ortega's main problem appears to be not with the Sandinist leadership but with the rank and file, and partly it may be a problem of his own making.

In the past two weeks, the Sandinists have mobilized grass-roots organizations around a political line adamantly rejecting what they called a "political dialogue" with contra leaders. The Sandinist leadership tried to make the distinction between power-sharing negotiations, which it continues to reject, and the proposed indirect cease-fire negotiations.

But the distinction was apparently too fine for soldiers, mothers of fallen Sandinist fighters, feminists and other do-or-die followers. Their silence about the contra talks began the moment Mr. Ortega announced them in his speech and has continued ever since.

INTERNATIONAL
Herald Tribune
Published With The New York Times and The Washington Post

OPINION

Devaluing the Dollar

A Way to Buy Time

If push comes to shove, says Treasury Secretary James Baker, Washington will not raise interest rates to protect the value of the dollar. Mr. Baker has his priorities right: The risk of high interest rates causing recession exceed the risk of a falling dollar leading to a punishing inflation.

Although sensible, this calculation is no substitute for curbing U.S. fiscal profligacy and correcting the allies' misplaced conservatism. West Germany's reluctant decision to reduce interest rates is only a shuffle in the right direction. Until the industrial powers accept the need for close policy coordination, world prosperity will hang by a thread.

With U.S. federal deficits absorbing $1.5 trillion in savings during the 1980s, America depended on foreigners to provide much of its economy's capital. Now the party is over. Private investors, fearing repayment of their debts in depreciated currency, are no longer eager to put the next round of import bills on the tab. And that has left the economic powers with risky and unappealing choices.

Central banks could go on purchasing the dollars shunned by private investors, in effect supplying the yen and marks that Americans need to keep on buying all those Toyotas and BMWs. But the appeal is wearing thin for German and Japanese bankers, who have been forced to absorb tens of billions of dollars in the last few months.

America might, of course, coax back private foreign capital by raising interest rates. But more expensive credit would cut car sales, housing construction and industrial investment, likely pushing an already wobbly American economy into recession. That is why Mr. Baker prefers to let the dollar slide. His strategy has the added advantage of making U.S. goods more competitive, thus reducing the U.S. trade deficit and the U.S. appetite for foreign capital. But the 20-to-30-percent fall in the dollar needed to right the trade balance quickly would raise U.S. living costs by 2 or 3 percent. In the process, the dollar's descent could trigger panic in both the currency and the securities markets, as dollar investors rushed for safer havens.

At best, dollar depreciation is a tactic for buying time. The United States made its way through the 1980s saving too little, while West Germany and Japan saved too much. Changing exchange rates would not painlessly resolve underlying imbalances; it would simply redirect the financial stresses.

With foreign capital unavailable, the U.S. Treasury would be forced to compete with private investors for scarce savings. Such competition all too often creates inflation. West Germany and Japan would be in trouble, too; unable to export their surplus savings, they would face stagnation.

There is no telling, then, how the Reagan administration's policy on the dollar will play by itself. The policy's effect will depend on more basic decisions. America must contain the budget deficit, creating room to finance domestic investment from savings. Japan and West Germany must stimulate domestic demand, allowing their economies to operate at capacity without spewing hundreds of billions of surplus capital into the American market. A well orchestrated decline for the dollar could make this process easier, but the real payoff lies in taking these two steps as quickly as possible.

— THE NEW YORK TIMES.

Part of the Solution

Now that the dollar is falling, how far down is it going to go? There is no reliable way to forecast that, for the process is hard to control and the foreign exchange market has a notorious tendency to overshoot. As long as the Reagan administration declines to interfere, the dollar's exchange rate will be set by the number of dollars that foreigners want to buy. The fall can feed on itself. If investors think that a currency will keep dropping, they are unlikely to want to buy much of it, and their predictions then become self-fulfilling. In those circumstances, the dollar could fall a long way.

To which many economists will say: good. That is the conventional way to end a trade deficit, and the gigantic U.S. trade deficit needs to be ended. America's foreign debts are piling up much too fast for safety.

But there is a little more to it than that. The Congressional Budget Office has produced a study showing that the trade deficit is on a rising trend, and that of all the standard prescriptions only two would actually reduce it: a recession or a falling dollar. A typical medium-sized recession, lasting half a year, would have only a very modest and short-lived effect. Devaluing the dollar would be far more effective. But here again, the CBO's model showed, the relief is temporary. If there is no other and deeper change in the economy, even depreciating the currency brings only transient relief.

Recent British experience makes that point clearly. Beginning in 1967, Britain repeatedly turned to devaluation of the pound to try to get its economy moving faster. But as the pound fell, growth sputtered and unemployment rose. Letting the pound fall turned out to be no automatic ticket to prosperity. Nor, incidentally, does a rising currency necessarily choke off growth. The pound has been rising steadily against the dollar for nearly three years, and Britain's growth rate has been rising as well.

For six years the Reagan administration has pushed American incomes artificially high by running the large budget deficits that produced, in turn, large trade deficits. But the lenders are beginning to cut off the loans that made it all possible. Incomes will have to come down, by taxation or by inflation. Productivity and quality of output have to rise. To rely solely on devaluation to deal with the trade balance will generate inflation, weaken America's credit abroad and pass the basic repair job on to the next president.

— THE WASHINGTON POST.

The Filipinos' President

Is President Corazon Aquino of the Philippines up to her job? That question comes a short year after she was hailed as a political messiah. The Reagan administration recognizes that one extreme is as invalid as the other. Mrs. Aquino remains one of Asia's more attractive political leaders.

What she needs from the United States is consistent, realistic political support and as much aid as Washington can possibly afford. Last week's murderous attacks on American personnel, with warnings of more to come, should not deflect the administration from seeing through the democratic transition it belatedly championed two years ago.

Americans have long been prone to simplistic visions of Philippine events, while remaining remarkably ill informed about the real problems of that former colony. Since independence they have stressed the common heritage and the strategic ties, but have rarely paused to consider the economic and social legacies of colonialism and the narrow social base of the Manila government. American presidents from Richard Nixon to Ronald Reagan convinced themselves that Ferdinand Marcos was an anti-Communist bulwark, even as his corruption and insensitivity made thousands of new Communist recruits.

No sooner did the myth of Marcos as savior begin to yield to facts than a new one arose. Mr. Marcos became the arch villain and Mrs. Aquino the inspirational heroine in the wings. She came to embody that perennially hoped-for American favorite, "the moderate centrist," the alternative to revolutionaries. She is, in fact, a moderate, but she is also in a revolutionary crisis that sharply constrains her political options.

In celebrating her "people power" victory, scant attention was paid to the implications of military mutiny, weakening a tradition of obedience to civilian control. And it is too often forgotten that because Mrs. Aquino is part of the discredited old oligarchy, she has a special need to tend to the long-ignored and land-hungry rural poor. She has had her share of failures but retains the democratic mandate she won at the polls. She remains what she really has been all along: an honest, appealing, fallible leader trying her best to consolidate a new democracy. It is an exceedingly difficult challenge, which Americans should not make more so by oversimplification and impatience.

— THE NEW YORK TIMES.

Other Comment

Congress, Too, Is at Fault

The demand is for Mr. Reagan to show "leadership," as if he were the only person who mattered in Washington. But, like all presidents, Mr. Reagan has to cope with an unruly Congress, in his case made even more unmanageable by the fact that it is controlled by the opposition party; he does not enjoy the luxury of a disciplined parliamentary majority which can be whipped into whatever lobby the prime minister decides. If there is a crisis of leadership in Washington it is a crisis for the American political system, not just the White House.

— The Sunday Times (London).

Bourguiba's Line Endures

In his statement on Radio Tunis, the successor of Habib Bourguiba, Zine el-Abidine Ben Ali, paid tribute to the "enormous sacrifices" endured by Mr. Bourguiba "for the liberation of Tunisia and its development." Mr. Bourguiba's ouster is unlikely to lead to notable changes in foreign policy. The new head of government, Hedi Baccouche, and the figures who enter the cabinet are "moderates" opposed to any reversal of alliances. These have always been oriented toward the West, and there is nothing to indicate any departure from that policy.

— Le Journal du Dimanche (Paris).

An announcement over the radio of the removal of a head of state by his number two is not in itself an event that the democracies can be pleased with. In the very particular context of Tunisia, it is clear nonetheless that what has happened resembles a lesser evil. [Mr. Bourguiba] was no longer mentally fit to exercise absolute power, and he was refusing to let go.

— Le Monde (Paris).

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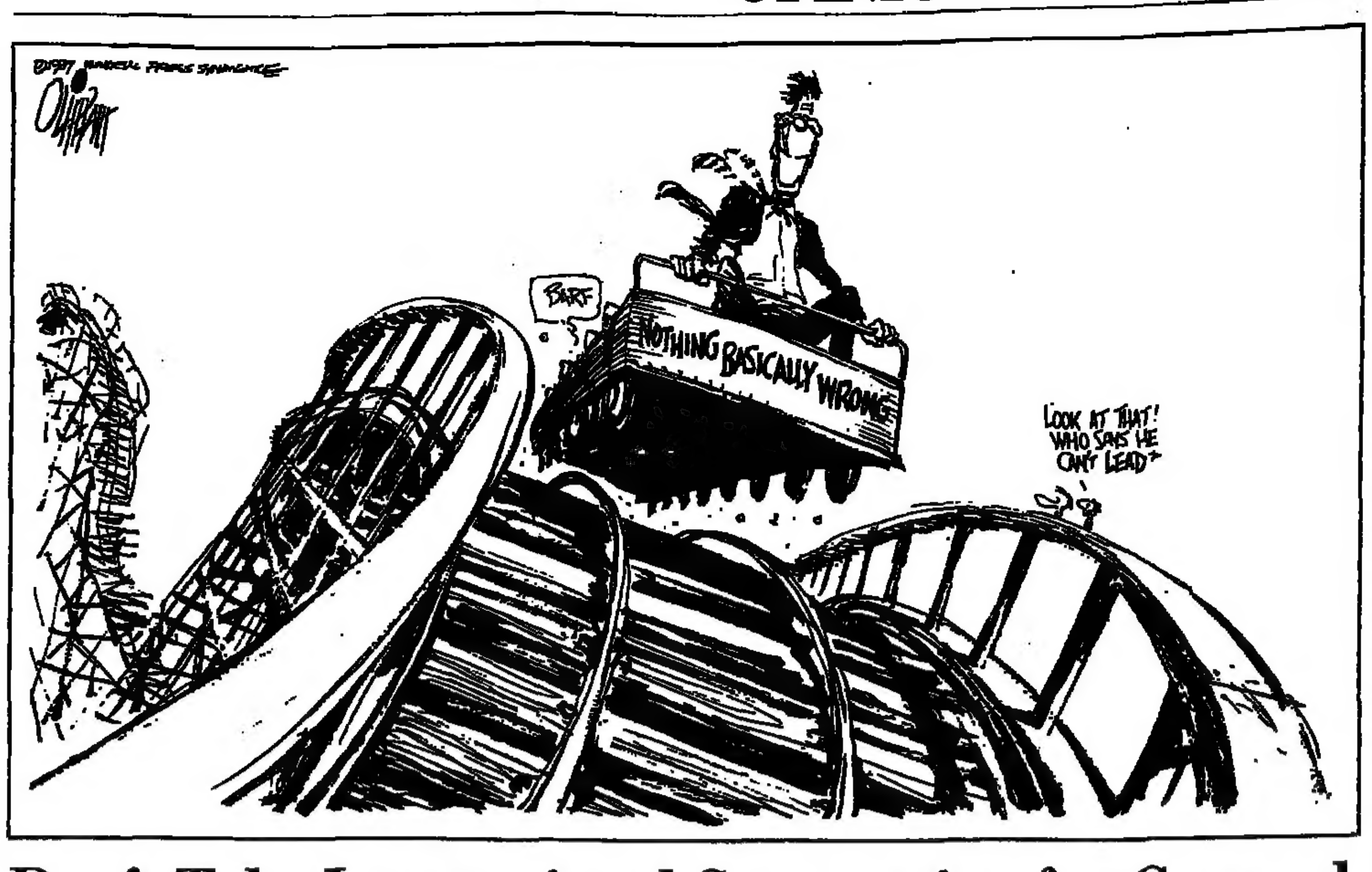


Don't Take International Cooperation for Granted

By Jeffrey E. Garten

NEW YORK — As the panic on Wall Street fades, another crisis is brewing, this time between Washington, Bonn and Tokyo. It may be of more lasting significance.

Last week's moves by West Germany and Japan to cut interest rates are welcome, but more significant reductions will be necessary. As the Reagan administration and Congress get closer to a budget compromise, there could be major international conflict as America strong-arms its allies to do more to avert a global recession.

Beyond the cosmetic quick fix, the prospects for effective cooperation do not look good. Since the late 1970s, in fact, global economic cooperation has been a miserable failure. From private shuttle diplomacy to summit meetings, from mudslinging contests to harmonious photo sessions, nothing much has happened, save some collaboration to guide the dollar.

For the last few years, America's agenda has been consistent: We'll cut our budget, the Reagan administration would say, if Bonn and Tokyo agree to take up the economic slack. Only, Washington never delivered, and, not surprisingly, neither did they.

Assuming that a budget agreement is reached, the United States will be screaming for the allies to ante up. If Bonn and Tokyo don't oblige, they may precipitate a major crisis. This is no one's preferred outcome, but here is why it could happen anyway.

First, there is a strong feeling in Bonn and Tokyo that their policies have been right and Washington's wrong, and they don't want to pay for what they see as chronic American lack of discipline. In West Germany there is the added neurosis about inflation; in Japan, a sense that the government has already stretched itself to the limits to accommodate U.S. demands.

Second, neither government trusts Washington. They believe that its idea of cooperation is to mount a bailout effort only when America is in trouble. They remember the administration's arrogance about Reaganomics and its indifference to their pleas a few years ago, when American interest rates were high and the dollar was soaring.

Third, the current objectives of the three countries are incompatible. The United States wants growth to offset the crash, and seems willing to accept some inflation in the process as well as a declining dollar. Bonn wants, above all, stable prices, and is prepared to sacrifice growth. Both are willing to see the dollar slide. Tokyo wants low prices, growth and, with an eye on its exports to America, a stable dollar-yen relationship. Something has to give.

Fourth, and most important, it may be that the rules of the game have changed. Americans have in their minds that West Germany and Japan are partners, but for historical reasons they expect them to be compliant partners. Now that era may be over.

Nothing symbolizes the new realities more than America's escalating debt and plummeting currency. Once, not so long ago, it financed the free world; now it is rattling a tin cup. Once the dollar was the symbol and means of power and influence; now prominent Americans are prescribing ever lower levels for the dollar.

West Germany, moreover, is so tightly tied to Europe that it may feel that reduced U.S. links are acceptable. Japan always acts politely, but it is in a position to wield the big stick like the powerful creditor that it is.

There has been during the last 30 years a not so implicit deal. The United States has borne the defense burden. In return, the allies have supported its version of an open world economy. That deal could be unraveling now. It is not that Europe and Japan do not want military protection. But neither seems inclined to hold up its end of the bargain now, and both doubt that America will pull the defense rug out from under them.

They could be wrong. The major issue facing the next U.S. administration is not whether to share financial, trade and security burdens more evenly with the allies, but how to do it — fast. Fiscal and trade pressures on America will leave no choice.

The recent interest rate cuts will not convince the markets, which have seen such accords break down before the ink dried. If Bonn and Tokyo fail to make significant accommodations, the political backlash in America could be fierce. Farmers, exporters of manufactured goods and labor unions will have a new whipping boy for their trade problems. This time they will be joined by Wall Street and Main Street, both dreading an economic downturn.

In the end, there is little that Washington can do if Bonn and Tokyo stonewall — at least little that won't hurt America, too. But we should not assume that rationality will triumph over emotion. One lesson about the 1930s — the one about providing adequate liquidity after a crash — seems to have been learned. But what about the lesson of what happens when there is no one strong leadership, and international cooperation breaks down?

The writer, a New York investment banker, was deputy director of the State Department policy planning staff from 1976 to 1978. He contributed this comment to The New York Times.

Good Old Free Trade? But the Game Has Changed

By Gregory Clark

TOKYO — The General Agreement on Tariffs and Trade has just celebrated its 40th anniversary. Instead of congratulating itself, it should be doing some serious rethinking. The examples of Japan, the other rising East Asian economies and the nagging American trade deficit show that the whole concept of GATT is based on a fallacy that could eventually strangle all trade, including free trade.

The fallacy is more cultural than economic. Forty years ago the world seemed a very simple place: The West was industrially advanced; the rest of the world lagged badly behind. It seemed obvious that the work and productivity ethic developed by the Western peoples, specifically the North European and North American peoples, was the ultimate that mankind could aspire to. The others could only hope to match it. They could not hope to surpass it.

In this situation the logic of free trade is obvious. It expands world economic activity. It also helps everyone to upgrade industrial structure. So in a world in which country A produces cars, B produces textiles and C cannot manufacture anything, free trade allows A to move up to computers, B to move to cars and C to produce textiles. Everyone is better off.

But what happens if the once backward peoples in country B manage to develop a work and productivity ethic superior to that of A? This is what we are seeing in Japan and to some extent in the rest of East Asia today. Some argue that it is due to the Confucian ethic; some say it is due to other factors. But what is beyond argument is the fact that these peoples now work harder and better than Westerners brought up under the Protestant ethic of which they were once so proud.

In this situation, the logic of free trade is not so obvious. It allows country B to take over production of not just cars but computers, too, while C moves into textiles. Meanwhile, country A moves to the bottom of the deck and ends up manufacturing nothing. Its alternative is to cut its living standards to the level of C, in which case A might just possibly be allowed to produce a few textiles.

This, in essence, is the dilemma facing the West today. The politicians may say that trade barriers in the East Asian nations have caused the trade imbalance, but such barriers are only a small part of the problem. The real problem is that when GATT was created no one dreamed that Westerners would fall behind in manufacturing productivity.

Having fallen behind, the West is being pushed relentlessly to the bottom of the deck. The savage appreciation of the yen has slowed the process somewhat, but only somewhat. Already Japanese manufacturers have regained much of the competitiveness they thought they would lose vis-à-vis the West. The yen will have to appreciate much further for the manufacturing trade balance to have any hope of even partial restoration. And even with the yen dearer, there is still the problem of South Korea, Taiwan, Hong Kong and Singapore.

The other problem with GATT's free trade theory is that it takes no account of diminishing costs. The entire theory is based on the rather quaint 19th century belief that the more one produces, the higher one's unit costs become; or at best they remain constant. In this situation, free-trading nations automatically achieve trade balance.

But, as any Japanese maker of cars or semiconductors can tell you, manufacturing costs fall drastically with volume. This is true not just for individual firms but for whole industries and even for countries.

In this situation, the country which happens to move a little bit more aggressively into new lines of production than others, and which protects its own producers in the early stages, ends up producing everything, even without the advantage of a superior work and productivity ethic. Its rivals do not get the chance to produce even the goods for which they have a natural advantage.

For example, it is likely that the U.S. technology lead in semiconductors could have offset the advantage the Japanese have in production technology. But once the Japanese moved aggressively into full-scale production, the American lead quickly withered. America is now faced with the probable loss of its entire computer industry as a result. Western Europe has suffered a similar fate in a range of electronic goods industries.

Before they start to think about having to compete with India and China in textile production, there is something else the United States and Western Europe could do. This is to face the fact that free trade and GATT are not going to solve their problems. They should protect and rebuild the industries they still have. They should form themselves into a large enough market to give themselves adequate economies of scale. Then from this position of limited strength they should negotiate the terms on which they will trade with East Asia.

True, that means admitting some manufacturing inferiority. But it need not mean inferior living standards, since in agriculture and the service industries the West is still well ahead. In any case, this alternative is a lot better than the decline in living standards that would be needed to be able to compete with China and India in producing textiles.

International Herald Tribune.

A Strange Way to Strengthen the Court

By Anthony Lewis

BOSTON — The collapse of another Supreme Court nomination tells much about Ronald Reagan. It shows the price Americans pay for having a president who in even his most solemn appointing function is driven by narrow interests of politics and ideology.

How could a president who talks about the need for law and order pick as a Supreme Court nominee someone who illegally used marijuana when he was a law professor? How could a president who has proclaimed the war against drug abuse fail to be informed of that easily discoverable fact about his nominee?

The questions are not hard to answer. President Reagan was interested in only one thing when he made his choice for the Court: stuffing a conservative down the throats of the senators who had defeated Robert Bork. In the rush to revenge there was no time for care in scrutiny.

The partisan, ideological motivation was clear from the start in Mr. Reagan's nomination of Judge Douglas Ginsburg. The choice was urged on him by Attorney General Edwin Meese and other zealots. The White House chief of staff, Howard Baker, counseled selection of a conservative whose qualifications would assure easy confirmation. But the president did not want a justice. He wanted a fight.

Judge Ginsburg is an intelligent, interesting man. But no one could seriously argue that he is among the lawyers best qualified to sit on the Supreme Court. He has never written about the court's principal modern concern, constitutional law. His experience as a judge and a Justice Department official is thin.

Mr. Reagan made the act of announcing the choice an angry partisan occasion. He fulminated against the Senate for its care in considering Judge Bork's nomination and suggested that the delay had somehow helped criminals. "The empty seat on the Supreme Court has been a casualty in the fight for victims' rights in the war against crime," the president said. The statement ought to win the 1987 non-sequitur prize for the speechwriter who gave it to Mr. Reagan to read.

There followed a barrage of White House piffle. Frank J. Donatelli, assistant to the president for political and intergovernmental affairs, sent a letter to lawyers and others around the country urging support for Judge Ginsburg and for immediate Senate hearings. "Judge Ginsburg shares the president's view about the importance of law enforcement," the letter said. "He does not believe that judges should constantly invent new roadblocks for the police to overcome."

Then came the disclosure about Judge Ginsburg's use of marijuana, apparently as recently as 1979. Mr. Reagan said it was just a youthful indiscretion. But Mr. Ginsburg was not a youth; he was a teacher of law.

There is a special peculiarity in Mr. Reagan seeming to excuse drug use when he and Mrs. Reagan are so identified with the war on drugs. But, like most things he does, that war is just words. The federal effort against serious drugs has been declining in effectiveness. Here as elsewhere the Reagan record is one of hypocrisy.

Millions of Americans have tried marijuana, and it would be preposterous to make that a general test of worthiness in society. But there is no way of escaping the fact that having on the Supreme Court someone who had violated the drug laws as an adult would be embarrassing or worse. Drug issues are a very important aspect of constitutional law right now. There are many proposals by government bodies and private companies to make employees take drug tests, proposals that are being fiercely resisted as illegal searches and invasions of privacy. A judge known to have used drugs would always be in an awkward position.

The defeat of Judge Bork drove the radicals of the extreme right into a frenzy. They could not bear the true meaning of the defeat: that the country rejected their desire for a wizened constitution and weakened judicial protection of individual rights. They pushed for a gesture of defiance, and Mr. Reagan obliged.

Compare how another conservative president acted. Herbert Hoover had a seat to fill on the Supreme Court in 1932. He had suffered an earlier defeat. Now he chose a judge of luminous reputation: Benjamin N. Cardozo of New York. Mr. Hoover made the appointment although there were already two New Yorkers on the Court, and another Jew. He put the merits above politics.

President Hoover, for all his troubles, respected the Supreme Court as an institution. Mr. Reagan plays with it for his political ends.

The New York Times.

Same Facts, A Different Message

By Jim Hoagland

PARIS — Language has replaced fact as the central component of truth. Bombarded with distant and often unrelated facts, citizens are both prey and accomplice to politicians who can organize any given set of facts into a coherent "truth" that makes them more comfortable. Ronald Reagan's mastery of this technique was on display again in a speech last week that was televised in Europe but not seen in America.

The speech was an opportunity to reassure Europeans concerned about Mr. Reagan's handling of nuclear strategy. He seemed aware that his apparent ambition to abandon reliance on offensive nuclear weapons to deter the Soviet Union and its Warsaw Pact allies from attacking NATO had disturbed citizens and officials in Europe.

It is not that Mr. Reagan changed his position in this speech, televised over the USIA's Worldnet satellite system to American embassies and broadcast on Voice of America radio, in order to please a new audience. He did not. What he did was to take the same set of facts that he uses when he tells American audiences about the immorality and inherent evil of nuclear weapons and use them to support the case for continuing nuclear deterrence for as long as possible.

Gone were his earlier condemnations of nuclear weapons as an evil that must be abolished. Nor did he refer to his promises to the American public to make nuclear missiles obsolete by setting up a space-based screen of defenses. The Strategic Defense Initiative received only scant mention in the 22-minute address.

Instead he declared that the forthcoming missile treaty would actually "ensure the credibility of our deterrent" rather than weaken it. He welcomed projected significant increases in the nuclear arsenals of France and Britain, perhaps suggesting that somehow these wily old Europeans have found a way to make nuclear weapons that are not evil. He warmly praised European efforts to expand conventional military cooperation.

I am sure the intentions of the president, and of those advisers who told him he needed to reassure the Europeans, were admirable. But I fear that to the extent that it has any impact — it was little noticed in the press in France — the speech will add to the confusion about what President Reagan really thinks about nuclear deterrence and what he plans as the next steps after the medium-range missile treaty.

That question has already created bitter divisions in Bonn, divisions that will have been exacerbated by the one change in U.S. policy that Mr. Reagan did signal. He deliberately ended the ambiguity put into the formula adopted at the Reykjavik NATO foreign ministers' meeting last June to keep fuzzy the question of when negotiations on battlefield nuclear weapons would begin. In a phrase that confirmed that Vice President George Bush had presaged a hardening of U.S. policy on this point in press conference remarks in Paris last month, he said that "existing imbalances in conventional forces and chemical weapons must be redressed prior to any further nuclear reductions in Europe."

This means that the hopes voiced by West German Foreign Minister Hans-Dietrich Genscher and even by members of the more conservative wing of Chancellor Helmut Kohl's Christian Democratic Union to get negotiated cuts in short-range nuclear weapons that will in all likelihood only be used on German soil now recede into the distant, distant future, much to the satisfaction of Defense Ministry officials in Bonn, Paris and London.

That Mr. Reagan made the speech at all is an interesting sign about the growing impact of foreign opinion in America as the presidential campaign gears up. That is one of the consequences of becoming the world's largest debtor nation. The election in 1988 could be the one in which Americans say goodbye forever to the treasured notion that their national leadership contest is decided almost exclusively on domestic issues, with small regard to what the rest of the world thinks.

The most spirited moment of the Houston debate of Republican candidates came in the verbal dustup between Mr. Bush and Al Haig, who argued about whether European leaders favored the Soviet-U.S. missile treaty (Mr. Bush's view) or not (Mr. Haig's choice.) Here was a previously mind-boggling thought on full view of an American television audience, for the Bush-Haig argument suggested that the candidates, and thus American voters, should actually care what Europeans think about anything.

The Washington Post.

100, 75 AND 50 YEARS AGO

1887: Murder in Ireland

DUBLIN — Murder outright seems to be the latest order of the Irish League. A despatch from Tralee tells a story of a farmer named Quirke, who had encountered the animosity of the league, as he had redeemed the farm of an evicted tenant. Last night [Nov. 7] he was visited by disguised men. His family, including a grand-daughter, were summoned into the kitchen, whither he was taken, and there, in their presence, shot dead. This is akin to what the Ku-Klux in the Southern States of America did twenty years ago to Union men.

1912: New Life for Plays

NEW YORK — Elizabeth Marbury, an experienced play broker, returned from Europe the other day full of enthusiasm for a new kind of colored moving-picture which she intends to exhibit. The current number of "McClure's Magazine" contains an illustrated article on staging plays for moving-picture shows. That the business has become one of growing magnitude is evidenced by the large amount of capital invested in it. A drama that has outlived its popularity on the stage may be given with success in the motion-picture shows.

1937: Britain and Spain

LONDON — Foreign Minister Anthony Eden tonight [Nov. 8] defended in the House of Commons the British government's proposal to exchange "business agents" with that part of Spain which is controlled by General Francisco Franco. Labor party spokesmen are very critical of this new step. To them an exchange of agents is equivalent to de facto recognition of General Franco's government. Mr. Eden based his defense on the ground of technicality. He said Franco controlled over two-thirds of Spanish territory and that many millions of pounds of British capital were invested in this area, chiefly in iron ore, copper and lead mines.

'Pot' and the Presidential Race

Gore and Babbitt Admit Marijuana Use as Young Men

By Michael Specter and James R. Dickinson
Washington Post Service

WASHINGTON — Two Democratic candidates for president, Senator Albert Gore Jr. of Tennessee and Bruce Babbitt, a former Arizona governor, have admitted that they smoked marijuana when they were young men.

In addition, two other politicians, Senator Claiborne Pell, Democrat of Rhode Island, and Representative Newt Gingrich, Republican of Georgia, said that they also had once experimented with the drug.

Following revelations that Douglas H. Ginsburg, President Ronald Reagan's nominee to the Supreme Court, had used marijuana, nearly every presidential aspirant responded Saturday to questions about whether they had ever used drugs. Many of the statements came before Mr. Ginsburg withdrew his name from consideration.

Three Republicans — Pierre S. du Pont 4th, Senator Bob Dole of Kansas and Representative Jack Kemp of New York — said they have never used illegal drugs of any kind, as did four Democrats — the Reverend Jesse L. Jackson, Senator Paul Simon of Illinois, Governor Michael S. Dukakis of Massachusetts and Representative Richard A. Gephardt of Missouri.

Mr. Gore, 39, said just before a presidential candidate forum at the Florida state Democratic convention in Miami that he had smoked marijuana when he was in college and the army but that he has not touched it in 15 years.

On Friday, he said in Mobile, Alabama, that he had never smoked marijuana as an adult, but when asked whether he had done so in college, he responded that it was an "inappropriate question."

The response to revelations that Judge Ginsburg had smoked marijuana while a professor at Harvard Law School was so swift and negative that Mr. Gore and other politicians apparently decided they could not afford to ignore the issue.

It was too early to tell whether the revelations would be damaging, but initial reaction by some Gore supporters in Florida was negative.

"People of my generation are shocked because they've never been exposed to drugs or used them," said William Crotty, 56, a Daytona Beach lawyer who is Mr. Gore's top Florida fund-raiser. "My generation is where the fund-raising comes from. He gets high marks for honesty, though."

Mr. Babbitt, on the stump in Iowa, admitted he had smoked marijuana several times "back in the late '60s when I was a civil rights worker down South," but added: "So what's the big deal? It beats me." Mr. Babbitt said that he had not used the drug since the 1960s.

Also at campaign events in Iowa on Saturday, Mr. Kemp, Mr. Dole and Mr. du Pont said they had never used marijuana.

In Saturday's editions of the Providence Journal-Bulletin, Mr. Pell, 68, the chairman of the Senate Foreign Relations Committee, said he tried the drug "many years ago" when he "took several puffs of a marijuana cigarette."

"I didn't like it and never tried it again," he said.

Mr. Gingrich said that he had used marijuana only once, and that it did not affect him.

"The historical record is that 19 years ago, I used marijuana once at a party late at night in New Orleans," he said, adding: "It didn't have any effect on me."

Mr. Dukakis, Mr. Gephardt and Mr. Jackson said they had never used any illegal drugs.

In Iowa, Mr. Simon said when he was in high school, "I don't think I even had heard of marijuana," adding: "If people wanted to have a wild time they would sneak off with a six-pack of beer." He said he had taken part in that activity.


Reuters-UPI

Senator Albert Gore Jr. waving to supporters after conceding that he had used marijuana when he was in college.

DRUGS: *Judge Seen as Victim of Clash Between Modern Era, Puritan Ethic*

(Continued from Page 1)

common experiences were rock music and dope and the subculture that both spawned. It was a subculture dedicated to the proposition that you could never trust anyone over 30, in Abbie Hoffman's memorable formulation.

"Folks are going to have to get used to this," said Robert G. Beckel, 38, who ran Walter F. Mondale's presidential campaign in 1984. "This is the age of Aquarius growing up."

"There is a certain irony here," in the words of a prominent Republican, age 43, who is close to the Reagan White House. Judge Ginsburg "is too modern. He's been married twice, his wives don't take his name, he smoked a little pot, he ran a computerized dating service — he sounds like a modern American. Are we ready for a modern American on the Supreme Court?"

Many people argued that Judge Ginsburg's marijuana smoking was a "youthful error," in Mr. Reagan's words, that could easily be forgiven.

Joseph R. Biden Jr., Democrat of Delaware and chairman of the Senate Judiciary Committee, said he considered calling a news conference to urge Judge Ginsburg not to withdraw merely on the basis of the marijuana issue.

But Peter Hart, a Democratic pollster, observed that Judge Ginsburg had admitted smoking marijuana not as a student, but as a Harvard professor — "a professor of law" — in his 30s.

Moreover, Mr. Hart noted, the incident became a scandal in large measure because the anti-crime, anti-drug Reagan administration had chosen Judge Ginsburg to be a law-and-order Supreme Court justice.

Judge Ginsburg's nomination "was not on real steady legs before this thing," as Robert Teeter, a Republican pollster, said. Questions had been raised about his lack of legal experience, his ownership of $140,000 in cable television stock when he was handling cable television matters in the Justice Department, and the lack of knowledge about his views on constitutional issues.

"One thing you need is strong supporters," Mr. Teeter observed, but Judge Ginsburg apparently had none in the Senate. Some of the conservative Republicans who were the strongest backers of Robert H. Bork, Mr. Reagan's first unsuccessful nominee to the court, offered the most direct criticism of Judge Ginsburg last week.

Regardless of the merits of Judge Ginsburg's fate, what happened to him will contribute to a sense that 1987 has been an extraordinary year for writing new rules in American public life.

"This is a bizarre year," said Mr. Biden, one of its victims. "It is going to go down like '68 without the sense of tragedy, but the same sense of the unexpected."

Mr. Biden withdrew from the race for the 1988 Democratic presidential nomination following disclosures that he committed plagiarism during law school, exaggerated his academic accomplishments and lifted speech material from other politicians.

The spectacle of a 69-year-old Brahmin, Senator Claiborne Pell, Democrat of Rhode Island, admitting to a dalliance with marijuana symbolizes the new confessional phase in U.S. political history.

Lynn Cutler, vice chairwoman of the Democratic National Committee, observed that dope smoking has become "another small pothole on the way to the presidency. Frankly, I think the whole thing has gone too far."

"Enough is enough," she added. "I've had it with this picking at things that don't matter."

Mr. Biden agreed. "Contrition is not acceptable any more," he observed, complaining that a presidential candidate is expected to endure "open-ended" personal questions "that are contrary to our traditions of civil liberty."

ARABS: *King Urges Unity*

(Continued from Page 1)

bargo against the country that fails to comply.

On the Arab-Israeli dispute, Hussein asked for an Arab consensus supporting an international peace conference. He accused Israel and the United States of obstructing the peace process.

"Israel has succeeded in diverting the role of the United States from that of a superpower with a special responsibility for world peace into the role of sponsor of Israel and its interests," he said.

■ Missile Hits Baghdad

Loren Jenkins of The Washington Post reported from Dubai, United Arab Emirates:

An Iranian surface-to-surface missile struck the heart of Baghdad on Sunday, killing 10 persons and wounding more than 100, an Iraqi military spokesman said.

An Iraqi war communiqué issued Sunday night said the missile hit a "densely populated residential area of Baghdad and a large number of innocent civilians were killed."

Iranian radio, monitored in Dubai, said Iran had fired two missiles at Baghdad, one against the central broadcasting building and the second at another "communications center."

It was not clear from the Iraqi reports what happened to the second missile. Because it was not reported as having hit the city, it might have strayed off course and landed in the countryside.

For Tunisian Leader, A Rapid Rise to Top

New York Times Service

Zine al-Abidine Ben Ali, the 51-year-old general who on Saturday became Tunisia's second president since it won independence from France in 1956, started out to become an electronics engineer.

Although his interest in electronics and computers remains today, he turned away from engineering at an early age and toward a military and government career in which he advanced rapidly.

Mr. Ben Ali's assumption of the presidency from Habib Bourguiba capped a swift rise through two of the top government positions in slightly more than a year.

By April 1986, he was the interior minister, and by last month, after his central role in the crackdown of Islamic fundamentalists accused of plotting to overthrow the government, he was prime minister.

Enforcing law and order have been keys to his success both in and out of uniform since 1958, when he was appointed to his first security post as director of military security.

From the late 1970s to now, he played an increasingly important role in coordinating military and police actions in clashes between the government and unions over unemployment, riots over increases in bread prices, worsening relations with neighboring Libya and growing Islamic fundamentalism.

When Mr. Ben Ali was named to succeed Rachid Sfar as prime minister by Mr. Bourguiba on Oct. 2, Ali Bahaijoub, a London-based writer on North African affairs, said: "Ben Ali will be sort of an autocrat. He won't have to waffle about before he acts, whereas Sfar would always beat around the bush first."

Mr. Ben Ali, who became a full general in 1979, is described by Tunisian officials as an athletic, clean-shaven man who believes in discipline and hard work and who speaks English, French and Arabic.

He was born on Sept. 3, 1936, near Sousse, in central Tunisia in the same region as Mr. Bourguiba's birthplace, Monastir. Mr. Bourguiba, according to a Tunisian official in Washington, will go to Monastir "to retire in his palace surrounded by his privileges and honors."

Mr. Ben Ali served three years in the mid-1970s as the military attaché in the Tunisian Embassy in Rabat, Morocco. In 1980, he became ambassador to Poland.

COURT: *Ginsburg Withdraws and Search Is Under Way for New Nominee*

(Continued from Page 1)

and lobbying groups, still smarting over the Senate defeat last month of Mr. Reagan's first choice, Judge Robert H. Bork, are now reeling from the disclosures that led to Judge Ginsburg's withdrawal.

The search is also complicated by factional disputes within the Reagan administration. Judge Ginsburg was reportedly the choice urged on the president by Attorney General Edwin Meese 3d and the ideological faction in the White House.

Administration officials say that among the front-runners to replace Judge Ginsburg is Anthony M. Kennedy, who was backed the last time by the White House chief of staff, Howard H. Baker Jr., and other pragmatists whom hard-line conservatives blamed for not working hard enough to prevent the defeat of Judge Bork.

Judge Kennedy, who sits on the Court of Appeals for the 9th Circuit in California, and Judge William W. Wilkins, of Greenville, South Carolina, who sits on the U.S. Court of Appeals for the 4th Circuit, are said to be among the leading candidates.

Judge Ginsburg announced his decision only nine days after he was chosen to fill the seat vacated by the retirement of Justice Lewis F. Powell Jr.

The disclosures about Judge Ginsburg embarrassed Mr. Reagan, who had called his confirmation "vitally important to the fight against crime."

In a brief statement that he read Saturday at the White House, Mr. Ginsburg said, "I have today asked President Reagan not to forward my nomination to the Supreme Court."

He added: "I was looking forward to sharing with the American people my views about justice and about the role of the courts in our society. Unfortunately, all of the attention has been focused on our personal lives, and much of that on events of many years ago.

"My views on the law and on what kind of Supreme Court justice I would make have been drowned out in the clamor."

In public, Mr. Reagan supported his nominee and issued a statement saying that he accepted the judge's decision "with regret."

Behind the scenes, administration officials had concluded that the nomination was doomed, and the judge was privately urged to step aside.

Mr. Ginsburg's withdrawal is the latest in a series of setbacks for the president, increasing the impression in the capital that Mr. Reagan is no longer able to control events and summon public support. From record budget deficits to simmering tensions in the Gulf, the president's positions on a range of issues are under attack.

Withdrawals of controversial nominations and Senate rejection of court candidates are not rare. Of the 143 candidates nominated to the Supreme Court since its inception in 1789, 28 have failed to win confirmation. Twelve were rejected outright by Senate vote and the rest of the nominations were withdrawn by the president or died from Senate inaction.

Judge Ginsburg, 41, praised the president and Mrs. Reagan for their work on drug abuse, and expressed the hope that young Americans, "including my own daughters," would learn from his mistake.

Aside from the drug issue, it was disclosed that in his years as a Justice Department official Judge Ginsburg had handled a major case concerning the cable television industry while owning bonds in a Canadian-based cable company.

Then, a series of personal disclosures painted a picture of a life style that contrasted with his image as a conservative. As a college student he had dropped out of school to help organize one of the nation's first computerized dating services.

He was married twice, and it was revealed that his current wife, Dr. Hallee Morgan, had performed two abortions while serving her medical residency and had assisted on a third.

The disclosures spurred worries among some lawmakers and activists that Judge Ginsburg might not be as conservative as advertised.

3 Rockets Hit Northern Israel

United Press International

HAIFA, Israel — Three rockets fired from Lebanon landed inside northern Israel on Sunday, causing no damage or casualties, the military said.

JAPAN: *Economic Advice for U.S.*

(Continued from Page 1)

and rising yen increase the price of Japanese exports and so threaten the Japanese economy, experts say.

"These are problems where Japan and the United States have joint responsibility," Mr. Takeshita said, referring to a range of economic disagreements between the two allies. "We cannot solve these things just on the Japanese side."

The value of the dollar tumbled to postwar lows in Tokyo and around the world last week. The Tokyo stock market followed, declining sharply for the third straight week.

The dollar's plunge accelerated when the U.S. treasury secretary, James A. Baker 3d, said Washington would rather ward off a U.S. recession than protect the dollar.

In another development, talks between the two nations on opening Japan's construction market to U.S. companies broke down in Washington. The U.S. commerce secretary, C. William Verity, scheduled a trip to Tokyo for later this month amid calls in Congress for reprisals against Japanese construction concerns.

The new prime minister, answering questions for 80 minutes on Saturday afternoon, tried to allay those concerns. "My principle has always been to seek a consensus, to open my ear to others, and that I do not want to change," he said. "But now I am in a position where I must also make a decision and then faithfully execute it."

Mr. Takeshita was picked by Mr. Nakasone as his favored successor last month and approved Friday by the Diet, or parliament. In the Japanese political system, in which the conservative Liberal Democratic Party has ruled without interruption for more than three decades, no popular vote was needed to bless the change of power.

Mr. Takeshita said he would promptly introduce a budget for next year that would stimulate domestic demand, as Tokyo has promised U.S. officials. Washington hopes a more active domestic Japanese economy will help reduce the trade imbalance.

But Mr. Takeshita also said he would not stimulate demand so much as to risk stimulating inflation too.

Same Facts, A Different Message

By Jim Hoagland

Pretoria Sees Rebel's Release as Test Case

The Associated Press

JOHANNESBURG — A South African government official said Sunday that the release of Govan Mbeki, a former president of the outlawed African National Congress, will serve as a test case that could influence official attitudes toward Nelson Mandela and other imprisoned black leaders, a newspaper reported.

Mr. Mbeki, 77, was freed from prison Thursday after serving 23 years of a life sentence for treason.

His release has fueled speculation that the government may soon free Mr. Mandela, considered by many black South Africans to be the country's preeminent black leader.

"The future of Mandela and others is to some extent in Mr. Mbeki's hands." The Sunday Star of Johannesburg quoted Stoffel van der Merwe, deputy minister of constitutional planning, as saying. "There are some people in jail who have served a long time. The need for retribution has been fulfilled."

However, he said the prospect for the release of additional black leaders would be damaged "if Mr. Mbeki becomes involved in political unrest, trouble or incitement, or breaks any laws."

Prior to Mr. van der Merwe's comments, the government had said little about its decision to release Mr. Mbeki or possible plans to free more imprisoned black leaders.

Following his release, Mr. Mbeki said he still considered himself a member of the ANC and the South African Communist Party, which is also outlawed.

He said that he would continue to oppose the government's apartheid policies of racial segregation but that he would not hold an office with a political organization.

Mr. Mbeki flew Sunday from Johannesburg to the southern city of Port Elizabeth, where he is expected to live, friends said. He worked there as a journalist and an ANC official before the organization was banned in 1960.

Mr. van der Merwe said Mr. Mbeki's release is an attempt to break the political deadlock in South Africa. He noted that many black leaders have said they will not negotiate with the government until Mr. Mandela and others are freed.

Mr. van der Merwe also said the government did not want imprisoned ANC leaders to achieve "martyrdom" by dying in jail.

"It would give no satisfaction to anybody," he said.

■ Talks With Mandela

John D. Battersby of The New York Times reported from Johannesburg:

Nelson R. Mandela, 69, leader of the ANC, would "bend all his efforts" toward a peaceful solution in South Africa if he were freed, Mr. Mbeki said Saturday.

Mr. Mbeki was allowed to speak to Mr. Mandela for an hour Thursday after he was flown from the maximum security Robben Island Prison to Pollsmore Prison near Cape Town where Mr. Mandela has been held for the last five years.

Mr. Mbeki avoided answering directly a question about whether the government has been talking directly with Congress leaders in jail.

Mr. Mbeki said the Congress, outlawed for 27 years, could intervene directly in South Africa by trying to assist peace efforts in Natal Province.

More than 150 people have been killed this year in civil strife between anti-apartheid activists and tribal followers of Chief Mangosuthu Buthelezi, the Zulu leader.

He said the violence in Natal was one of the most important issues he and Mr. Mandela had discussed their meeting, and said the jailed leader wanted both sides to bury the hatchet.

Mr. Mbeki dismissed as "escapist" the government's current efforts for a transition to fuller participation by blacks in South African life, which stops short of having the right to vote.

He said such measures were "irrelevant to the basic issue of political rights."

■ Five Slayings Reported

Despite attempts to launch peace talks between warring political factions in Natal Province, internecine violence in black townships continued to escalate Sunday as police reported five more killings, The Washington Post reported from Johannesburg.

The killings included that of a 15-year-old black youth whose throat was cut by a gang of rival blacks.

Three of the killings were in townships around the provincial capital of Pietermaritzburg, where the factional fighting has been worst. The death toll in the Pietermaritzburg area in the last two months is nearly 100.

The deaths followed three killings reported Thursday in Pietermaritzburg's black township of Ashdown.

They included one in which a gang of youths stoned a private home, and then broke in and stabbed to death the owner, a 30-year-old black man.

Haitians Face More Terror As Namphy Fails to Act

By Joseph B. Treaster
New York Times Service

PORT-AU-PRINCE, Haiti — Last week, Haitians witnessed the unfolding of a campaign of terror apparently intended to disrupt elections and preserve the old order of the Duvalier family dictatorship.

Every night since the national election headquarters was gutted by flames last Monday night, there have been arson and machine-gun attacks against election participants. Before dawn Saturday, the violence spread outside the capital for the first time, with three incidents in towns along the central coast.

Although the dictatorship founded by François Duvalier in 1957 meant misery for most people, thousands of Haitians, rich and poor alike, received such benefits as jobs, freedom to collect graft, and business monopolies.

Until last Monday night, when a dozen men who had worked closely with Mr. Duvalier and his son Jean-Claude were disqualified as candidates in the Nov. 29 presidential election, many from the old order thought there was still a chance to preserve their privileges.

With even this long shot shattered, the terror campaign started. Although widespread support both here and abroad makes the election seem inevitable at some point, many Haitians and Western diplomats say the Duvalier allies seem determined to try to block them.

Lieutenant General Henri Namphy, who rose to head a provisional government with the collapse of the dictatorship 22 months ago and pledged to guide the country to elections, has stunned the nation and much of the world by all but ignoring the pre-election violence as well as desperate pleas for protection from election officials and candidates.

On Friday, in his first public appearance in weeks, the reclusive and often incommunicative general bestowed upon himself the formal title of commander-in-chief of the armed forces, but he barely mentioned the spreading terror.

Haitians and diplomats trying to explain Mr. Namphy's failure to exercise the sort of responsibility normally expected of a chief of state say they believe that his behavior is evidence of a bitter feud that has been going on between him and the civilian Electoral Council since midsummer.

Mr. Namphy was rebuffed by street protests when he briefly seized control of the election process. The protesters and the nine-member Electoral Council insisted that the army, which has historically manipulated elections, leave the election to civilians.

When the Electoral Council asked for administrative support, the Namphy government replied that such assistance would contravene its neutrality. In response to an early request for protection, the government said it would make arrests if election officials could name the culprits, which to this day no one has been able to do.

Mr. Namphy, true to form since his earliest days in office, has given no explanation for his lack of action. Some Haitians say it seems that he does not want the election to take place.

Others, however, have begun saying lately that they think he is trying to punish the election officials and candidates whom he has always regarded contemptuously and has consistently refused to meet.

"I think the army wanted to prove to the Electoral Council and the political leaders that we could not have the election without their help," said Grégoire Eugène, a leading candidate who has tended to count the army as among his supporters.

"That is the reason they have let the situation go from bad to worse," Mr. Grégoire, the Social Christian Party candidate, said. "I think they will probably do something in the next few days."

During the summer, when many protesters were refusing to participate in the election unless Mr. Namphy resigned, the United States argued that his removal would almost certainly delay elections.

On Thursday, after Mr. Namphy took the initial step of posting five soldiers at the temporary offices of the Electoral Council, a U.S. official was asked if this was in response to United States pressure.

"Certainly we've been talking to them," the official said, "but they move at their own good time, and who knows why?"

J. Scott Applewhite/The Associated Press

Lieutenant General Henri Namphy, head of Haiti's provisional government, at a ceremony Saturday at the National Palace in Port-au-Prince. Mr. Namphy has been in charge since the fall of the Duvalier dictatorship last year.

Mozambique Is Offered More Aid to Fight Rebels

By Paul Lewis
New York Times Service

UNITED NATIONS, New York — Britain and other Commonwealth nations are offering military and economic assistance to Mozambique to protect railroads, ports and other development projects against attack by South African-backed guerrillas.

The decision was made last month at a meeting of Commonwealth nations in Vancouver, British Columbia, according to officials involved in the matter.

The Commonwealth secretary-general, Sir Shridath Ramphal, explained the offer to diplomats here a week ago, describing it as a unique effort by aid donors to safeguard development projects they are financing in a country where the government has lost control over large areas.

Mozambique, a former Portuguese colony, faces a campaign by the South African-backed guerrilla group called the Mozambican National Resistance Movement, or Renamo.

At the Vancouver meeting, President Kenneth Kaunda of Zambia said that without measures to protect investment, giving aid to Mozambique is like "fattening sheep for slaughter" because the money goes to build new targets for the guerrillas to destroy, according to Commonwealth officials.

Although Mozambique has not formally accepted the offer, its foreign minister, Pascoal Mocumbi, had been invited to Vancouver for consultations with Commonwealth leaders and helped draft the final communiqué, diplomats said.

In the communiqué, Commonwealth leaders agreed to set up "an enhanced program of coordinated assistance" to help Mozambique improve its railroads and ports and insure their "physical protection."

They promised to give top priority to reopening the railroad linking the southern port of Maputo to Zimbabwe. The railroad has been closed for three years by fighting in the region.

The Reagan administration has resisted strong pressure from conservative Republicans in Congress to abandon its support for the Mozambican government in favor of the guerrillas.

The United States provided $10 million in economic aid and $75 million in food aid this year. It has not decided how much food aid to provide next year, officials said.

Mozambique Is Offered More Aid to Fight Rebels

By Paul Lewis

A Monthly Report for the International Investor

International Herald Tribune

Monday, November 9, 1987

PERSONAL INVESTING

FOCUS

Smaller Stocks: How They Fared

ONE of the most often-heard phrases on the trembling lips of Wall Street portfolio managers these days is the "flight to quality." Still traumatized by October's calamity, professional investors are taking refuge in large companies with big market capitalizations, brawny balance sheets and solid dividends.

In such periods of uncertainty, the share prices of smaller U.S. companies suffer disproportionate damage. Smaller-company stocks typically carry higher price-earnings ratios, and, in times of economic anxiety, investors are quick to mark down their prices. October proved no exception.

A gauge of the difference can be found in the performance of Standard & Poor's 500 index, which includes a good measure of the biggest U.S. blue chips, and the Nasdaq OTC composite index, which reflects the performance of smaller companies. In October, the OTC composite index dived about 28 percent, while the S&P 500 fell 23 percent.

But the relationship was reversed in the major non-U.S. markets. In Japan, Britain and West Germany, smaller stocks on average seemed to weather last month's downturn better than the local blue chips. Stocks on Tokyo's first section, where blue chips dominate, slid an average 12.6 percent in the month, while the second section, where smaller companies dominate, fell only 10.2 percent.

In Britain, Hoare Govett's index of smaller company stocks was off about 23 percent, while the FT All Shares index fell over 26 percent. And in West Germany, an index of 100 smaller company issues calculated by Schröder Münchmeyer Hengst & Co. was down 19.4 percent while the Frankfurter Allgemeine Zeitung index fell 26.3 percent.

Given the thinness of trading in small-company stocks in these markets even in the best of times, the validity of indexes in an unsettled market is open to question. Hoare Govett figures that a stock in its index trades on average once every three days, compared with over three times a day for FT All Share issues.

Indeed, trading in small stocks in all the major markets dried up during the worst of the October frenzy. "Liquidity just disappeared," reports Roger Kersley, manager of Aetna's U.K. smaller companies fund. There were also "huge anomalies" in share prices, he says, with some stocks in his portfolio up 20 percent and others down by as much.

Still, fund managers who specialize in non-U.S. markets say there are structural reasons why smaller-company stocks tended to show more resilience than blue chips. One factor is that non-U.S. markets tend to be more swayed by foreign buying than is Wall Street.

In Tokyo, "the vast majority of selling has been by foreigners," notes Sarah Whitley, investment manager of Baillie Gifford Shin Nippon Trust, a London-listed, closed-end fund that specializes in Japanese small stocks. "And foreigners concentrate on larger stocks."

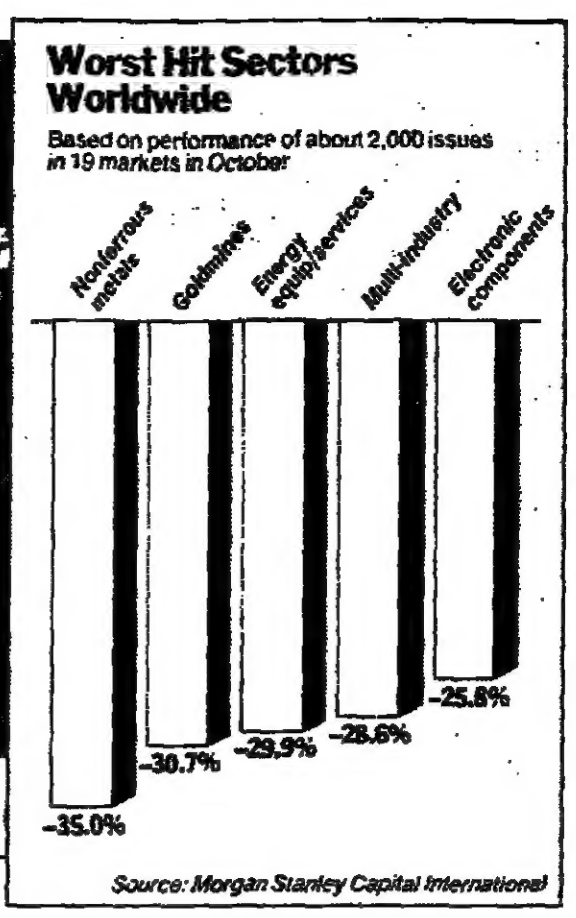
Another reason is that Japanese smaller stocks were outperforming the larger stocks in the period just preceding the crash. "The earnings growth of the smaller companies has been better than the rest of the market," explains Ms. Whitley.

Currency fears also play a role. Many of the blue chips in Britain, Japan and continental Europe are big exporters likely to be squeezed by a weak dollar, fund managers note. Mr. Kersey noted that companies perceived as relying more on domestic sales "survived a bit better." The same phenomena was cited by Ms. Whitley among Japanese stocks.

Differences in corporate culture can play a role as well. Some fund managers note that many U.S. small companies pay no dividend, while small companies in Europe and Japan usually pay out at least some modest amount. These dividend yields tend to cushion their stock prices. □

William McBride

On Oct. 20, London equity traders stayed glued to the screens.



Global Themes After the Crash

Bonds helped Worldinvest avert damage

By Marybeth Nibley

London

KEITH Brown recalls a number of inquiries his firm received earlier this autumn from clients in the Middle East. They all shared the same concern. Why were their portfolios so heavily weighted in bonds even though stock markets worldwide continued to look bouyant?

Nowadays, Mr. Brown, the chairman of Worldinvest Ltd., can look back at those times with a certain amount of self-satisfaction. The brutal treatment equities have received since the latter half of October has made everyone in charge of an asset allocation fund who was favoring fixed-income investments appear prescient.

Indeed, the balanced accounts managed by Mr. Brown's firm emerged from October's carnage relatively unscathed. A global mutual fund, for instance, lost 2 percent of its value in October. By contrast, the average return of 18 global markets tracked by Morgan Stanley Capital International declined by more than 17 percent in dollar terms.

"To come through the crisis of October with a 2 percent fall, we're quite proud of it," says Mr. Brown, whose firm is still legally known as BA Investment Management International Ltd. There is a tentative agreement to purchase the firm from its parent, Bank of Americas, in a management buyout this month.

This is not to say that all of firm's portfolios escaped the bloodbath. Mr. Brown acknowledges that funds invested solely in stock did poorly, a disappointing performance that was compounded by the fact that Worldinvest previously decided to stay away from the Japanese market, which withstood the crash better than most markets.

Of the $2 billion under management, more than half comes from the United States, 12 percent from the Middle East and the remainder from Europe and Canada. Mr. Brown takes pride in a decidedly blue-chip clientele, which includes institutional investors, largely pension funds, insurance companies, endowments, multinational organizations, mutual funds and foundations.

In terms of strategy, the firm is clearly a sector player, placing emphasis on groups of stocks regardless of geographical boundaries. This philosophy that "owning the right sector can be as important as owning the right market" has meant portfolios often have market exposures which differ greatly from the weightings assigned by widely used global indexes.

For example, as of September, the global equity portfolio allocated 20 percent of its assets to the United States and nothing to Japan, while the Morgan Stanley Capital International Index gives the two countries weightings of 37 percent and 34 percent, respectively. Conversely, the same portfolio devoted 21 percent to Spain, a market with a tiny global weighting of one percent.

The emphasis on sectors rather than markets is not to suggest that the firm ignores macroeconomic forces driving world markets, Mr. Brown says.

Instead, he says Worldinvest's strategy begins with an analysis of where world economies are going, incorporating fiscal and monetary policy decisions that may occur. Then the firm's analysts try to measure the current value of financial assets against their potential and develop likely scenarios.

"We have a much higher degree of confidence in the sense of setting reasonable ranges within which the final outcome is going to fall," Mr. Brown says. "So, therefore, if we can look for a combination of assets that will perform well under both the scenarios that we consider the most likely, then we feel a certain amount of confidence we

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AP

Keith Brown

Wall Street Strategies: Safety First

By John Meehan

New York

HUGH Johnson's job is to invest in stocks. It is a task, however, he has not relished since Oct. 19 turned his world upside down. In an environment characterized by its unpredictability, defensive themes and the unsettling notion that a recession looms around the corner, First Albany's chief investment strategist is the first to acknowledge that he has yet to find opportunity amid the turmoil.

"There was a shock to the financial system and people are still nervous that something worse will take place," he says. "I'm just playing it safe."

He is not alone. Three weeks after the market collapse left investors numbed and considerably poorer, Wall Street is still marking time in hopes that some clear-cut strategy will emerge. Falling interest rates and hopes that budget cutters in Washington will reach a compromise may have reduced the level of anxiety in the marketplace in the near term. Apprehension about the long term remains.

"One of the problems is that the market can't find a handle," says Monte Gordon, investment strategist for Dreyfus Corp. "The volatility will continue for some time."

Most investment strategists have been telling their clients to stay put, displaying little inclination to reduce the sizable cash positions in their model portfolios.

Even the tentative gains that the market has made since the Dow Jones Industrials Average slid 508 points to 1,738.74 on Oct. 19 have offered little reassurance that the bad times are over, they contend.

The talk among market forecasters these days has less to do with new highs for the Dow than trying to gauge a trading range for the rest of the year. Many believe the index will fluctuate between 1,800 and 2,200, a far cry from the record 2,722.42 reached on August 25.

"I think the bulk — if not all — of the price decline is behind us," says Steven Einhorn, chief investment strategist for Goldman, Sachs & Co. "But I think we have to give the market time to stabilize and repair the damage. You have to be defensive."

To Mr. Einhorn, this means a model portfolio that is only 40 percent invested in stocks, with the rest divided evenly between bonds and cash. Merrill Lynch's investment chief, Charles I. Clough, recommends a similar exposure to equities, but favors an equal commitment to bonds, with the remainder in cash.

The portfolio recommended by First Albany's Mr. Johnson is even more conservative. Fifty percent in bonds with the rest in stocks and cash.

There is a surprising chorus of unanimity among analysts when selecting stocks in the current environment. The so-called

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FUNDS

London: A Month Funds Won't Forget

London

AS the premier center for international fund management, London represented ground zero for the October stockmarket bomb. Fund managers will not soon forget the devastation and handwringing of last month, nor will the investors in their funds.

Many investors in unit trusts and offshore funds found that dealings in their funds was suspended. Others found that they could sell, but the fund could not specify at what price the transaction would occur. In an ironic turn, funds were forced to adopt a pricing system they criticized when it was proposed by regulators in recent months.

Even several days after the Oct. 19 plunge, brokers acting on behalf of private investors had difficulty doing business with unit trust managers.

"It's been very, very awkward indeed to try and deal with the management companies," acknowledged Neil Stapley, managing director of NatWest Stockbrokers, a division of National Westminster Bank. Telephones went unanswered or were almost constantly engaged, according to some intermediaries.

Overall, London's biggest fund management companies reported surprisingly light levels of redemptions. Bill Stuttaford, chairman of the Unit Trust Association, noting that widespread selling has not taken place to date, said: "The majority of unitholders seem to have accepted that unit trusts should be a long-term investment. . .and are therefore sitting tight for the present."

But skeptics say a big wave of redemptions is still likely. Given the dealing suspensions and pricing havoc, fund investors had little choice but to sit tight, they say. Investors who decide they have no stomach for such volatility will be inclined to sell if prices rebound somewhat.

"The natural instinct of people is to hate selling at a loss so they hang on," one broker commented. He said some of his customers who were not willing to sell in the uncertain pricing situation would likely bail out if the markets recover. A few unit trust managers said they believe brokers are holding sell orders to be transacted when conditions improve.

Charles Waller

Many unit trusts took unsettling dives. The average U.K. growth trust was down about 26.6 percent during October, according to Opal Statistics Ltd. Unit trusts that target Hong Kong shares incurred setbacks of as much as 40 percent.

The bright spots were funds that focus on gilts, British government bonds. The best-performer during the month was Kleinwort Barrington Gilt Yield Fund, up about 11.6 percent.

Despite the damage to many, the week of the Black Monday saw fairly light redemptions — in many cases lighter than usual.

"There's been no wave of redemptions at all," reports Christopher Tracey, investment director of Save and Prosper Group. Save and Prosper had about 200 redemptions a day during the week after the crash, or 100 fewer daily redemptions than normal, according to Colin Rye, administration director.

At the Framlington Group, Managing Director Tim Miller called redemptions "surprisingly small." Redemptions by customers exceeded new sales by £1 million from Oct. 1 to 28, he said. Much of this net outflow reflected money being pulled out of funds invested in North America.

The M&G Group even had a net inflow, albeit smaller than it normally has. In the week ended Oct. 23, the net inflow totaled £2 million, down from a regular weekly inflow of about £4 million. "We found that people were keen to buy the gold fund and keen to sell American funds," says Roger Jennings, M&G's marketing director.

Many management firms called off business-as-usual on the Tuesday following the big price plunge and had dealing delays at least the rest of that week. Rapidly collapsing share prices placed the fund managers in a dilemma.

The Department of Trade and Industry requires units to be valued based on the price of the securities in the trust. And, according to some trust deeds, units must be revalued when equity prices move by 2 percent to 3 percent.

Yet share prices were fluctuating by far larger percentages over periods of just a few hours. Moreover, few management firms are equipped to calculate a unit value more frequently than once a day. This made it virtually impossible for funds to accurately price their units.

If firms had continued to redeem units, it was clear that the redemption price would often be far higher than the value of the underlying securities in the fund when the time came to settle accounts. That would be unfair to the remaining holders. Several unit trust groups felt they had little choice but to suspend dealings.

SOME groups, such as Touche Remnant Unit Trust Management Ltd., managed to deal each day after the crash by abbreviating hours. Martin Hoare, a director of the group, said some days Touche Remnant did not start dealing until 5 P.M. and carried on until 8 P.M. Adding to confusion was the weeklong closing of the Hong Kong Stock Exchange. It was impossible to price the units of any fund with holdings in Hong Kong.

Callers who did get through found, in many cases, that their orders only would be accepted on a blind basis, meaning that the prices would be fixed later. Rather than deal at unknown prices, some customers took no action.

The fund's resort to "blind pricing" — also known as forward pricing — has caused some

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FUNDS

How Some Funds Sidestepped the Collapse

By David Lanchner

New York

THE Standard & Poor's 500 index fell 17.8 percent and the majority of equity mutual funds tumbled more than 20 percent. Yet despite the distinctly hostile environment that reined in the stock market in the last two weeks of October, at least one group of funds proved surprisingly resilient: the asset allocators.

Asset allocation funds attempt to reduce volatility by investing in a variety of holdings from precious metals to equities, and diversification best explains why they fared better than other mutual funds. Asset allocators posted an average return of 5.3 percent from the start of the year through Oct.29, according to Lipper Analytical Services. This compared with a negative 4.62 percent return of the standard equity fund and the S&P's anemic 1.07 percent showing.

This seeming ability to sidestep the storm that swept through the market last month has not been lost on the public. At a time when many mutual funds are experiencing heavy redemptions, the asset allocators are registering minimal redemptions and in some cases are even attracting new customers.

Still, many industry observers say they are not convinced that asset allocation funds offer the best investment strategy, especially if the market's fortunes change. While agreeing that the lower volatility of these funds is appealing, they remain concerned about what they consider critical defects in strategy.

For some funds, these include an unusually heavy reliance on historical price movements to forecast returns and divide assets accordingly. And in the case of the most flexible funds, there is a tendency to concentrate big investments in certain areas.

There are a half-dozen funds that are considered to be pure asset allocators by the Investment Company Institute, the leading trade organization for the U.S. mutual fund industry.

Limiting Losses

The total return of selected asset allocation funds compared to general equity funds and the Standard & Poor's 500 index.

Fund	Week ended Oct. 23	Year to Oct.23
PaineWebber Asset Allocation	+6.7	+1.3
Right Time	−1.3	+15.9
Permanent Portfolio	−4.9	+10.2
Blanchard Strategic	−11.6	+14.5
USAA Cornerstone	−12.4	+11.5
General equity funds	−16.6	−0.5
Standard & Poor's 500	−16.7	+2.5

Source: Lipper Analytical Services

Some constantly shift the percentage of holdings among a wide range of investment groups, while others maintain fixed percentages. Still others limit themselves to a narrower range of investments — typically, stocks and bonds.

The two diversified funds with the greatest flexibility, Blanchard Strategic Growth in New York and Bailard, Biehl, Kaiser Diversa in San Mateo, California, showed higher-than-average losses for asset allocators during the October collapse.

Blanchard fell 11.06 percent during the worst week of the crash and BBK Diversa fell 8.82 percent. In the same period, the average asset allocator dropped only 6.2 percent. The S&P and the average general equity fund both fell about 16.5 percent.

"The degree to which the flexible funds dropped is not surprising," says Gerald Perritt, the editor of The Mutual Fund Letter in Chicago. "When they shift assets, they tend to make big bets, which can translate into significant losses when the market turns down."

The funds divide their assets into four basic groups: foreign and domestic stocks, gold and bonds. BBK also invests in real estate partnerships.

Management at both funds acknowledge that losses would have been closer to the S&P and general equity fund averages if they had not begun pulling out of stocks before the market collapse. Andre Sharon, chief portfolio manager for Blanchard, says his fund had as much as 73 percent of its assets concentrated in domestic and foreign stocks as recently as July. During the crash, Blanchard reduced that stake to 48 percent, boosting cash and precious metals holdings.

"Unfortunately," says Mr. Sharon, "those precious metals assets were in the form of equity for greater leverage. Their value raced ahead of bullion's and they got hammered in the market collapse."

Going into the downturn, BBK had a slightly lower 41 percent of its assets in stocks and only about 6 percent in gold, reallocating some holdings to bonds.

Both funds have since increased bond and cash holdings with BBK putting 59 percent in this area: Blanchard boosted its exposure to 48 percent. For the moment, neither fund is making big plays. "I just don't know where the markets are going," Mr. Sharon says.

Although Blanchard and BBK consider themselves value investors, a number of experts believe their allocation strategy is more akin to speculative market timing. "Only those willing to stomach the risks of an aggressive general equity fund should consider putting money in it," says Royal LeMier, editor and publisher of the Mutual Fund Specialist in Eauclair, Wisconsin.

Janet Brown, editor of the San Francisco-based No Load Fund X, says the more flexible funds should be evaluated on the basis of management skills, not their claims of safety.

Funds that pursue a fixed asset allocation have done no better over the long term. USAA Cornerstone limited its losses in the week following the market's slide. It showed a negative return of 12.42 percent in the seven trading days that ended Oct. 23, according to Lipper.

Cornerstone's portfolio is almost evenly split between gold, domestic and foreign equities, bonds and real estate. While it tends to be value oriented in its domestic stock portfolio, its international portfolio, like those of the other asset allocators, is heavily weighted toward more speculative markets like Japan.

Quarterly allocations in each investment area may vary within a narrow range of 18 percent to 22 percent, though Harry Miller, the portfolio manager, acknowledges "it's not unusual for us to be in a particular investment group as much as 25 percent or as little as 15 percent."

Still, some critics believe this approach remains too rigid. "I'm dissapointed with funds like Cornerstone that clearly have a responsiblity in maintaining a defensive position,," says Ms. Brown.

The Permanent Portfolio, managed from California, is by far the most rigid of the asset allocators. It invests in six areas: U.S. Government bonds (35 percent), gold bullion (20 percent), real estate and natural rescources (15 percent), Swiss francs (10 percent) and silver bullion (5 percent).

While the fund's managers claim their portfolios are designed to do well in any environment — runaway inflation or recession — in their five years of existence they have never managed to match their own computer-predicted average annual return of 15 percent. In fact, in 1984 the fund generated a negative return of 13 percent because of flat equity markets and plummeting gold prices.

Part of the fund's problem, says Sheldon Jacobs, the New York based editor of the No Load Fund Investor, is that the computer model used by Permanent Portfolio to divide its assets is based on market movements in the 1970s.

Andre Sharon

The Paine Webber Asset Allocation fund in New York and the Claremont Combined fund in California are perhaps the easiest for investors to understand because they limit their investments to stocks and bonds.

Yet, Michael Lipper, president of Lipper Analytical Services, says that such funds are the most volatile of the asset allocators. Indeed, Paine Webber portfolio was among the best performers in the week of the crash — up 6.07 percent — largely because 83 percent of the funds assets were in bonds. □

Taking Refuge in Money Market Funds

By Carole Gould

New York

THE rout on Wall Street has produced at least one clear winner: money market funds. "Panic in the equity markets creates a flight to safety, and money funds are one of the few groups to benefit from the general market turmoil," says Glen King Parker, publisher of Income and Safety, a Fort Lauderdale, Florida, newsletter covering fixed-income investments.

Three weeks ago, skittish investors moved $9.64 billion into taxable money market mutual funds, a record one-week inflow, with most of that money coming from sales of shares of mutual funds that invest in stocks.

The total assets of the money funds rose to $256.84 billion, also a record, according to the Investment Company Institute, an industry group. Two weeks ago, the funds took in $1.16 billion more. Many banks have also been experiencing a surge of deposits in their money market accounts, which pay market rates of interest.

Money funds — there are 410 taxable ones and 155 that are tax free — are diversified portfolios of short-term money market securities offered by brokerage firms and mutual fund companies.

Investors can check the maturities of the various funds in the financial pages of U.S. newspapers. The average maturity is about 40 days. Mr. Parker recommends asking questions if the term extends beyond 100 days.

The funds typically invest in a mix of Treasury securities, negotiable certificates of deposit, commercial paper and other highly liquid, short-term securities. "The safest thing in the world to own is a Treasury bill," says John Markese, director of research for the American Association of Individual Investors.

As a fund increases its other holdings the yield rises, but so does the risk. For example, two weeks ago, funds that invested solely in Treasury obligations yielded 5.77 percent, says Susan M. Cook, editor of Donoghue's Money Fund report, a newsletter that surveys the funds each week. Funds that also invested in government agency paper, like obligations of the Federal National Mortgage Association, yielded 6.29 percent.

The riskier funds buy top-rated paper of banks and corporations; Eurodollar deposits; Yankee dollars, deposits at domestic branches of foreign banks, and various lower-rated paper. The most aggressive funds yielded 6.75 percent, almost a full percentage point more than those buying just Treasury bills.

Yields may also reflect different administrative costs. While money funds have no sales charges, investors are well advised to check the prospectus to see that the fund's expenses are in line. Expenses of one-half to three-quarters of 1 percent of fund assets are considered reasonable. Anything higher than that — there are a number of funds whose expense ratios approach 1 percent, Mr. Markese says — should be avoided.

Another factor is size. "Unlike the equity funds, size appears to be an advantage for money funds" in generating higher yields, Mr. Parker says. The Merrill Lynch Cash Management Account is the largest, at $18 billion, he says. The next biggest are Merrill's Ready Assets Account, Fidelity Cash Reserves and Dreyfus Liquid Assets.

Then it becomes a question of services. Minimum initial investments range from $500 to $50,000, with most funds requiring $1,000 to $2,500. Most funds do not allow investors to write checks below a certain amount, typically $500. However, some permit checks for $250 and a few, like the Capital Preservation Fund, have a $100 minimum.

Shaken investors who are now unwilling to accept any risk, however small, might prefer to keep funds in a bank money market deposit account. Authorized by Congress in 1982 to allow banks to compete directly with money market mutual funds, these accounts are insured for up to $100,000 by the Federal Government.

The bank money accounts generally yield about one-half percentage point less than the money funds because the banks' cost of doing business usually exceeds that of the funds, said A. Michael Lipper, president of Lipper Analytical Services, which tracks mutual funds. Sometimes the gap widens even more: A week after the Oct. 19 market crash, the bank money accounts yielded 5.68 percent while the money funds brought in 6.70 percent.

Bank customers can write three checks a month without a service fee. Monthly maintenance charges should average no more than $8 to $10 and may be waived if other accounts are maintained. But additional charges may be imposed —or the interest rate cut — if the account balance falls below minimums that range from $500 to $2,500. □

The Premium On Minted Memories

By Cynthia Catterson

New York

IN RECENT years, commemorative coin issues have become a convenient way for governments to raise revenue. Indeed, almost every major event in the world seems to be chronicled by the local mint. But the flood of new issues has not translated into the kind of investment opportunities that the purveyors of these coins would have the public believe.

"Now it's gotten to the point where every country, big and small, is finding excuses to mint them. The end result is that there are few that have any relevance in terms of investment," complains Paul Wood, senior cataloguer in charge of coins at Sotheby's auction house in London.

This is not to say that all commemorative coins have no investment appeal. In general, coins struck before the 1950s continue to appreciate in value. For example, the set of British coins struck for the 1937 George VI coronation, which originally sold for £10 are now worth about £1,200.

Mr. Wood, however, says that most of the modern commemoratives auctioned at Sotheby's command little more than the going rate for the silver and gold they contain.

In large measure, the depressed prices reflect the frequency of new issues, as well as the sharp increase in number of coins minted for each occasion. "Thirty years ago, 10,000 coins in an issue was considered very big. Nowadays, that would be considered modest," says Alistair Gibb, a coin specialist who writes frequently about coin investing from his home in Fife, Scotland. Indeed, issues in the millions these days are not unusual.

In addition, he says, the nature of the market is changing. Once dominated by numismatics who cast a critical eye on every new issue, the market is now much broader and populated by individuals who are more interested in coins as gifts and souvenirs.

The lack of consumer expertise, Mr. Gibb argues, has allowed sales agents to increase premiums. This, in turn, depresses their value on the secondary market. "The newer issues are offering less rarity at a higher premium, so the chances of appreciation are usually nil," he explains.

Unlike bullion coins, which are sold to investors who are looking for a hedge with precious metals, commemorative coins are generally limited edition pieces sold to collectors. The typical premium for a bullion coin is between 5 percent and 7 percent above the metal content, for commemoratives the premium can be as high as 50 percent and 60 percent.

For these reasons, coin specialists caution individuals against buying modern commemoratives solely as investments. "Collecting commemoratives is much like collecting art. Very few people buy it just for investment purposes, they do it because they enjoy it," says John P. Norris, head of the precious metals department at Citibank in New York.

Adds Charles Uaeger, head of precious metals at Bank Leu in Switzerland, "If you buy a commemorative coin, you will have a nice coin and pay a high premium to have it. It is better to stay concentrated in bullion coins if you are investing in coins."

Still, for collectors with an eye toward investments, there are some guildelines to be aware of when selecting a coin.

For one thing, details such as design and condition can affect the value of a coin on the resale market. An older coin that has been cleaned, for example, could be worth less than one that shows its age. However, a proof coin, a specially minted piece with a mirrorlike finish, should never be removed from their sealed plastic cases because their resale value can fall if they are smudged with fingerprints.

Though the value of a commemorative coin is affected somewhat by the price of precious metals, demand in the collectibles market ultimately determines the pace of appreciation. Scarcity is the most important factor. Therefore, individuals must consider both the number of coins that were minted and the base of collectors for a specific issue.

"It's not so much the number minted as it is the number minted compared to the demand. A coin with 5,000 mintage could be fantastic in a niche market," notes Mr. Norris at Citibank.

A good illustration is the U.S. Statue of Liberty coin, which commemorated the statue's centennial last year. Although it was a large issue, 500,000 coins, the celebration surrounding the event had a large international participation. In the end, demand for the coin exceeded the supply. At one point, the $5 gold coin which originally sold for $165, was commanding $600. Today, the coins sell for about $350.

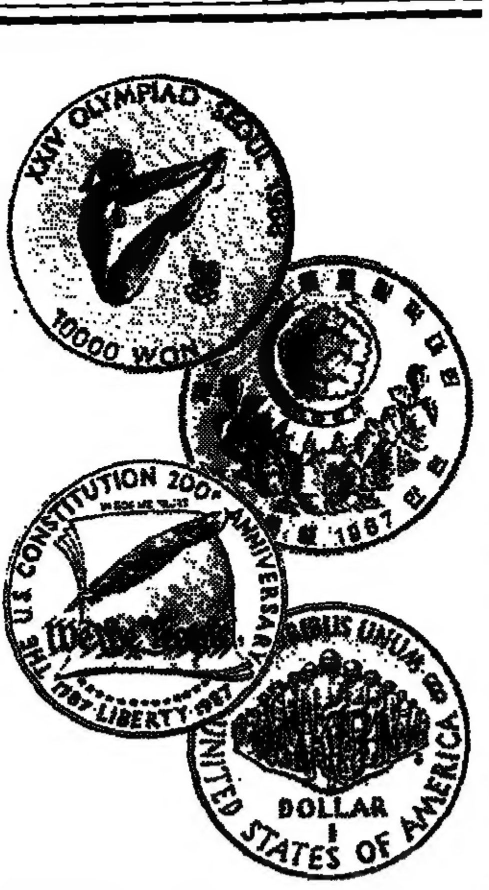
Forecasting demand, however, is risky. Speculators hoping that this year's U.S. Constitution coin, minted to honor the bicentennial of the U.S. Constitution, would generate similar returns as the Liberty coin, learned this the hard way.

THE EVENT did not capture the same worldwide attention as the Liberty gala. Furthermore, explains Alan Posnick, vice president at Manfra, Tordella and Brookes, a New York coin dealer, the U.S. Mint struck one million Constitution coins, twice as many as were minted for the Liberty series. As a result, the price of the $5 uncirculated gold coin has more or less remained unchanged since it was issued at $235 a few months ago.

Some coin experts suggest that demand peaks when a popular theme, such as an Olympics, overlaps with a country whose coins are popular among collectors.

This may be the force driving the high demand for the Seoul Olympic coins at the moment, says Mr. Posnick, the only firm in the U.S. to market the coins.

Meanwhile, those wishing to sell their poorly performing commemoratives, might find a kinder market if they wait until another, similar event occurs. "There is always a brief surge in interest in previous Olympic coins while an Olympics is in progress," says Mr. Posnick. □



Commemoratives

Top, a one-ounce, 10,000-won silver coin commemorating the Seoul Olympics. Below is the one-dollar coin issued in connection with the U.S. constitution's 200th anniversary.

Gold's Tarnished Image as a Haven

This year, it has proved to be one of the better-performing investments

By Anise C. Wallace

New York

WHEN investors fear the return of high inflation or believe financial calamity is imminent, gold is the usual safe haven of choice. Yet, despite the gyrations of the stock market, many successful investors do not believe either of those developments is likely.

Many strategists are even recommending that investors stay away from gold. And those who already own bullion or gold shares, these advisers say, should sell before prices drop further. "I can't see owning gold unless you think the whole system is going to unwind," says Neil J. Weisman, general partner of Chilmark Capital, who moved his clients' funds into Treasury bills a week before the market fell apart.

Most money managers are avoiding gold for three chief reasons. They do not view the recent panic on Wall Street as a warning that the financial system is on the brink of collapse. "Greenspan demonstrated that the Fed stands behind the system," says Richard Russell, editor of the Dow Theory Letters, referring to Alan Greenspan, the chairman of the Federal Reserve Board.

These advisers also do not see a return of the double-digit inflation. In fact, many financial experts believe that deflation is a more likely possibility. "I think the market crash portends mild deflation, definitely not inflation," Mr. Russell says. The third reason to avoid gold is that it will not rise further, they say, because there is a fairly stable balance of supply and demand.

Until recently, the price of gold had been climbing from the recent low set in February 1985. As the dollar declined in value, the price of the metal surged. In fact, this year it was one of the better-performing investments. The price of bullion was up 17 percent, and gold-oriented mutual funds, which invest in the stocks of gold-mining companies, were up even more.

But gold moves on emotion, and that keeps many professionals from buying it. "I have a hard time betting on psychology," says Jonathan Berg, president of New York's Berg Capital Corp. And psychology has driven gold higher for much of this year. Indeed, throughout 1987 experts have suggested that the metal's price advance has been based on fear of the tensions in the Persian Gulf and the perception, rather than the reality, of higher inflation.

Professional investors dislike gold for a variety of reasons. They think the psychology of gold investors is overly bullish. When sentiment is optimistic, that indicates gold followers remain fully invested and no one is left to buy.

Moreover, the stocks of mining companies, one of the more favored vehicles for investing in gold, are extremely vulnerable, according to many analysts. Prices of mining companies increase faster than the price of gold because an increase in the metal raises profit margins at a faster rate.

At their peak, mines were selling at 70 times their earnings. Gold-oriented mutual funds were up more than 75 percent before the stock market began its fall in September.

DESPITE THE concerns of these advisers, some financial planners suggest that individuals maintain at least 5 to 10 percent of their savings in gold at all times. That way, they say, investors are protected no matter what happpens. Gold is "somewhat of an irrational investment," concedes Christiane S. Delessert, vice president of Seidman Financial Services in Boston. But she says it has a "definite" place in a portfolio.

Investors who decide to own gold have several ways they can invest:

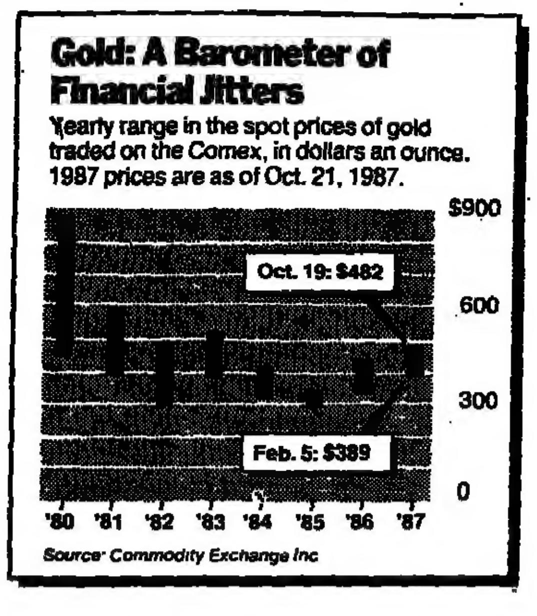
Bullion: Investors can buy gold coins and lock them in a safe deposit box. Or they can buy bullion from dealers. Coins, like the American Eagle, the Canadian Maple Leaf or China's Gold Panda, carry a premium over the gold bullion content but they do not have to be assayed and can be stored more easily than bullion.

Gold stocks: The stocks of mining companies are considerably more volatile than bullion. Certain ones, like those of South African mining companies, have political risks as well.

Gold-oriented mutual funds: Individuals who want to own mining stocks but do not know which ones to select will be most comfortable with a fund that owns a broad range of gold stocks.

Gold futures: This is probably the most speculative way to invest in gold. Gold futures contracts require investors to buy or sell gold at a specific price on a specific date, no matter what metal happens to be trading for that day. Profits can be huge, and so can losses.

CD's tied to gold: The Wells Fargo Bank in San Fransisco introduced "gold market certificates" earlier this year. The interest rate of these certificates of deposit is tied to the price of gold. As with other certificates, the holder's principal is guaranteed up to $100,000. But there is no guaranteed interest rate. □



The Bullish Case for Another Surge in Platinum

By Alice Oshins

New York

IT IS MORE volatile, unpredictable and ever more expensive than any other precious metal. Yet, for analysts who have spent the last couple of weeks scanning the horizon for signs of a resurgence in metal markets, there are strong fundamental arguments for another rally in platinum.

"Platinum is potentially the most attractive, while being the most volatile," says Fredric Levin, general partner of Lazard Freres & Co. in New York. "We're bullish on platinum, but in the context of diversification."

Even though precious metals prices have slipped in recent weeks as lower interest rates have eased inflationary concerns, metals specialists contend that platinum's scarcity is bound to play a role in the metal's fortunes over the long term.

Only three million ounces are produced each year, as opposed to 60 million ounces of gold. And 80 percent of the world's total supply comes from three mines in South Africa, Rustenburg, Impala and Western. The Soviet Union and Canada produce the rest.

Demand continues to grow, however. Platinum is already widely used in electronics, and its industrial use is expanding. It is estimated that it is used in the production of one in five manufactured goods nowadays.

Already an integral component in catalytic converters for automobiles in the United States, some analysts see a shortage developing in 1988 when the European Community mandates converters.

Investor demand is also growing. Purchases solely for investment now account for 16 percent of total demand compared to two percent five years ago. "The appetite for platinum has been tremendous," says Jacques Luben, director of the Platinum Guild International.

Over the past year, fear of inflation and a weaker dollar have been the locomotives behind the surge in platinum prices. In February 1985, the metal hit a low of $236 an ounce and has been climbing for 2½ years to its current range of $580 to $600 per ounce. The $559 average price for platinum for the first three quarters of 1987 is up 36 percent over last year's average of $410 for the same period.

The climb, of course, has not all been smooth sailing and underscores the metal's volatility. In September 1986, for instance, concern over heightened unrest in South Africa pushed the price of platinum to a high of $682 per ounce. Yet, at month's end platinum was at $540 an ounce, a $142 tumble.

By December, platinum had dropped to $460 an ounce before resuming its climb to $535 per ounce by January, 1987. The metal then peaked again at $620 an ounce last April with talk of stabilizing the dollar. Since then, prices have slipped back to around $525.

FOR many investors, volatility remains platinum's biggest appeal and sets it apart from gold and silver. Wherever precious metals prices go, so goes platinum — only more so. "Prices rise and drop quickly in this market," says Rhona O'Connell, precious metals analyst at Shearson Lehman Brothers in London.

When gold peaked at $825 in 1980, platinum was at its all-time high of $1,045. But when gold fell to $298 per ounce in 1982, platinum sunk even lower to $244 per ounce. Still, when the precious metals take off, she says, "platinum is the strongest performer overall."

Some metals analysts believe platinum prices will recover to a broad trading range of $580 to $600 over the next few months. In three to five years, however, a number of experts say there is a good chance that platinum will beat its 1980 high of $1,045 when the metal topped out at the height of inflation.

"Platinum could even go as high as 10 to 12 percent beyond that level to $1,200 to $1,300," says Martin Armstrong, a technical analyst and president of Princeton Economic Consultants.

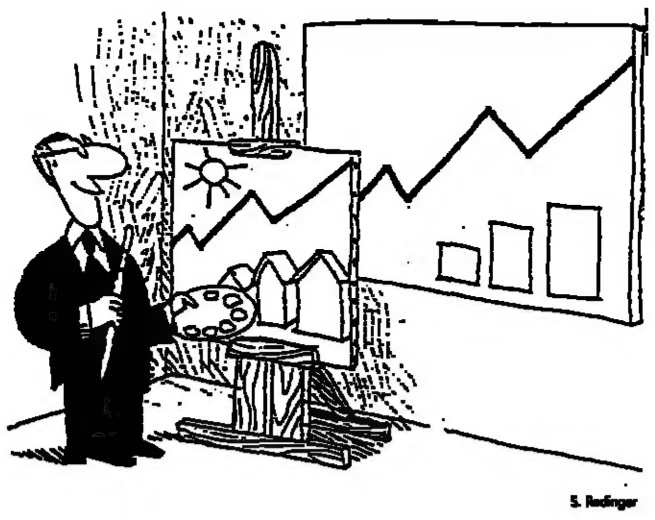
Still, metals analysts caution that even the upbeat outlook would change dramatically if the world economy slips into recession, a chronic fear in the wake of the stock markets decline. The platinum market, they note, is dominated largely by industrial use, and a sluggish economy is bound to trim demand. □

FUNDS

Reassessing Funds That Mirror Market Indexes

By Joan Westreich

New York



S. Redinger

THERE has always been a logical appeal to index funds. About one out of four fund managers successfully outperforms the market, the argument goes, so it makes sense for investors to be content with simply mirroring the performance of some widely accepted gauge of stock values, such as the Standard & Poor's 500 index and Dow Jones Industrial Average.

For much of the bull market, that was an approach that paid off handsomely. To a large extent, the rally in stocks was concentrated in the blue chip issues that make up the major indexes. The strategy that says "if you can't beat them join them" was a winning one.

But when the slide in stock prices hit Oct. 19, index funds declined in tandem with the Dow and other popular measures. Many funds with managers who actively manage the portfolios cushioned the fall by reducing exposure to stocks or particularly vulnerable sectors. In the week from Oct. 15 to 22, the average performance of U.S. mutual funds tracked by Lipper Analytical Services fell 10.66 percent. By comparison, the Dow Jones Industrials Average was down 17.18 percent and the S&P 500 lost 16.72 percent that week.

Those results raise the question of whether index funds will maintain their allure for individual investors. Brian Mattes, vice president of the Vanguard Group of Companies of Valley Forge, Pennsylvania, believes they will. He considers his firm's Index Trust fund, whose portfolio tracks the S&P 500, to be the ultimate buy-and-hold investment and does not believe its popularity will be seriously affected.

For the first nine months of 1987, the Vanguard index fund, without benefit of any advertising, was the firm's second most popular fund for new investments among its stable of 46 funds. Launched in 1976, the fund was the first such vehicle for individual investors. It has 35,000 shareholders and $865 million in assets, down from about $1 billion before the stock market drop.

Mr. Mattes is unperturbed about the fund's 16.73-percent decline in the week ending Oct. 22. "It's to be expected," he explains. "(The fund) has about a 99-percent correlation with the market and did exactly what it should do."

He says that an index fund is for sophisticated investors who are in for the long haul. These investors understand they "are just taking market risk; no more, no less," Mr. Mattes explains. The biggest users have been pension funds, which have about $123.6 billion in equity index funds run by outside advisers. Pension funds manage on their own another $30 billion in indexed assets.

So far this year, the Vanguard fund's total return, including reinvested dividends and capital gains, is a mere 3.06 percent. But long-term figures offer a different perspective. In the five-year period ending Dec. 31, 1986, the Vanguard index fund has returned 141.15 percent compared with an average return of 117.28 percent for all equity mutual funds, according to Lipper Analytical.

Beyond the long-term performance, index funds have the added allure of being low cost investment vehicles. Since matching an index eliminates the need for high-priced fund managers and research departments, costs are kept low. Vanguard pockets a skimpy 0.28 percent of assets for managing the fund.

Still, a number of money managers dismiss the so-called passive strategies of index funds, especially in current market conditions. "Today index funds are one of the worst investments," asserts Kent Kramer, a financial planner with Atlanta-based Walker Capital Management Corp. "We're in a stock picker's environment right now."

Another company offering an S&P 500-based index fund is Boston's Colonial Group of Mutual Funds. Its United States Equity Index Trust charges a one-time sliding-scale sales fee, depending on the size of investment, of up to 4.75 percent.

One of few entries based on the Dow Jones Industrials Average is the Bench Blue Chip fund. The fund invests in only 33 stocks, including the 30 blue chip stocks listed on the Dow industrials. Bench Blue Chip charges a 2 percent sales fee and requires a $1,000 minimum deposit.

The popularity of the indexed approach also has spawned a range of investment vehicles that seek to offer representative exposure to certain types of stocks. One example is Colonial's Small Stock Fund, which seeks to mirror the performance of lesser known, secondary stocks in the United States.

Investors can use the Colonial fund to gain exposure to smaller stocks while at the same time achieving more diversification than they would otherwise have if they tried had to buy shares directly. A similar, passively managed fund of small stocks is offered by Dimensional Fund Advisors of Santa Monica, California.

Colonial also offers an international fund linked to Morgan Stanley Capital International's index of European, Australian and Far Eastern stocks. Tracking international indexes poses special problems, though, given the narrowness of many non-U.S. markets. □

STRATEGY

Post-Crash Byword Is Safety

Continued from page 7

"flight to quality" became apparent soon after the market collapse and the trend has continued. Companies that fall into this category usually have strong management, sound balance sheets and big capitalizations.

These include utilities, property casualty insurers, tobacco companies and soft-drink makers. But even with these kinds of stocks, Mr. Einhorn says investors must be willing to take a six-month view.

Prudential-Bache Securities came up with a list of selections similar to those offered by other investment firms. It includes AT&T, BellSouth Corp and Pacific Telisis among telecommunication issues. For beverages and tobaccos, the favorites were Anheuser-Busch and PepsiCo. In the electric utilities sector, the choices were General Public Utilities, Southern California Edison and Public Service Enterprise Group.

FORD MOTOR was also included in the list. Although most analysts believe the outlook for automakers is bleak given the prospects of an economic slowdown, the market sell-off knocked down Ford's price-earnings multiple close to a tempting 4.

When it comes to long-term strategy, there is less agreement. Analysts accept that the market crash is bound to trim economic growth, but the likelihood of a recession is far from certain. "At the moment, all the surveys are useless," says Mr. Gordon of Dreyfus, "because the market is still in the trauma stage."

While acknowledging that his is a contrarian view, Suresh Bihrud, co-chairman of the investment policy committee at Oppenheimer & Co., says the upheaval in the market has had a curative effect. "It took the inflation psychology out of the market and is forcing central banks to stimulate their economies," he says. "I'm looking for big declines in interest rates in the United States, Germany and Japan."

He believes that the economic downturn will be minimal, that consumers will be undeterred and that the rally will resume. "The only impact will be on high-priced imports and that will help the trade deficit even more," he says. "I'm very bullish when looking at the next six to 12 months."

Still, other analysts contend that the market will never be the same. Merrill's Mr. Clough, for instance, believes the consumer stocks that led the bull market suffered a fatal blow Oct. 19. "The economy will slow, and the consumer is going down for the count," he says.

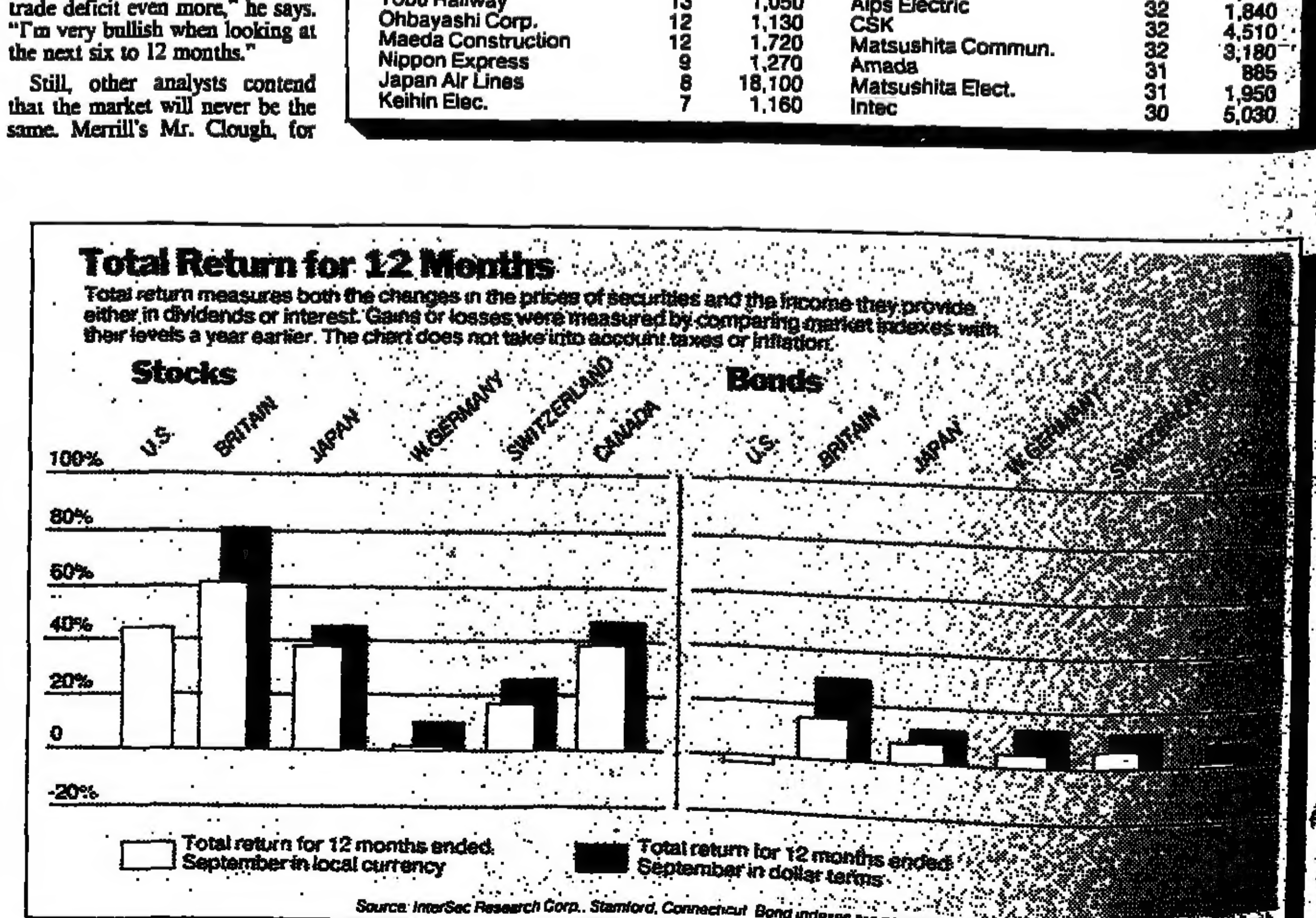
If so, Mr. Clough believes, there is a good chance that industrial companies will take over the lead. After years of seeing their export volume shrivel because of a strong dollar, many of these companies have undergone painful restructuring.

This, in turn, has produced leaner and potentially more profitable companies. Moreover, these companies have the most to gain if the dollar continues to decline. "The industrials will lead the next rally," says Mr. Clough who is looking at companies such as Caterpillar, Deere, Dow Chemical and Hewlett-Packard. □

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in October.

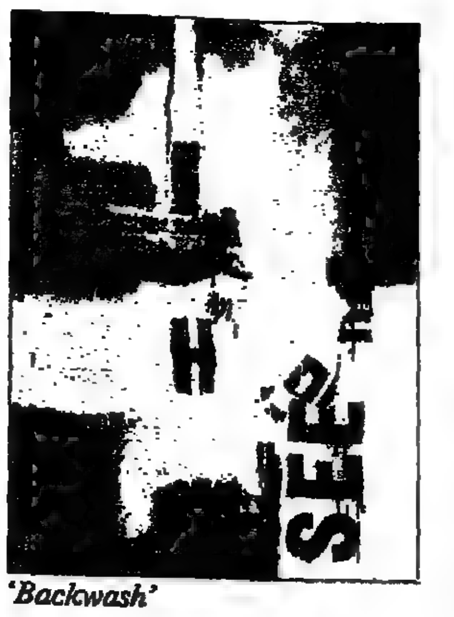
GAINERS	Percent Gain	Price Oct. 31	LOSERS	Percent Loss	Price Oct. 31
New York Stock Exchange: Compiled by Media General Financial Services. Prices in dollars					
U.S. Leasing Int'l.	37	66.75	Newmont Mining Corp.	64	35.88
DCNY Corp.	13	20.50	News Corp. Ltd.	56	15.50
MFS Municipal Income	13	10.00	E. F. Hutton Group	54	17.00
Savannah Elec. & Power	13	19.00	CML Group	51	13.88
Wells Fargo Mtg. & Eqty	12	19.75	Comdisco Inc.	50	16.88
L&N Housing Corp.	10	18.50	Willcox & Gibbs Inc.	50	12.75
Rexham Corp.	7	57.50	Zenith Electronics	50	13.50
Potomac Electric	7	24.38	Munford Inc.	50	16.63
Duke Power Co.	5	48.00	Kellwood Co.	50	17.88
Baltimore Gas & Elec.	5	32.75	Tiffany & Co.	49	18.25
American Stock Exchange:					
American Cablesysts	32	33.88	Continental Materials	58	14.25
Income Opportunity	2	11.25	Ketchum & Co.	49	10.00
Winthrop Insured Mtg.	1	12.25	American Maize (A)	47	13.38
American Income Props.	3	19.50	Material Sciences	46	13.00
MacNeal Schwenler	3	18.50	Resource Engineering	46	10.75
Over the Counter:					
Northview Corp.	54	16.50	Inspeech Inc.	62	10.25
Citizens Insurance	47	11.00	Chartwell Group	61	11.00
Prudential Bancorp	28	24.00	V Band Corp.	54	18.00
Fairhaven Savings Bank	14	13.88	DST Systems Inc.	53	10.75
Up Right Inc.	13	13.38	Advanced Telecom.	52	13.25
London Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in pence.					
Hill Samuel	9	745	Reuters Holdings B	49	464
Octopus Publishing	0	443	Morgan Grenfell	45	305
Equity and Law	3	442	BSR International	45	77
Woolworth Holdings	5	332	Standard Chartered	45	455
Ass'd British Foods	10	310	Johnson Matthey	44	229
Whitbread (A)	10	293	De Beers (S.Africa)	43	550
British Telecom	10	237	Jaguar	43	329
Provident Financial	10	335	Beazer	40	161
Bank of Ireland	10	200	TI Group	39	279
British Gas	12	152	BOC Group	38	337
Tokyo Stock Exchange: Compiled by Morgan Stanley Capital International. Prices in yen.					
Nissin Food	23	5,210	Hirose Electric	39	3,410
Okumura	18	1,140	Advantest	36	5,000
Kinki Nippon Railway	18	1,070	Nichicon	35	1,050
Tokyu Corp.	18	1,630	Kyocera	34	4,600
Tobu Railway	13	1,050	Alps Electric	32	1,840
Ohbayashi Corp.	12	1,130	CSK	32	4,510
Maeda Construction	12	1,720	Matsushita Commun.	32	3,180
Nippon Express	9	1,270	Amada	31	885
Japan Air Lines	8	18,100	Matsushita Elect.	31	1,950
Keihin Elec.	7	1,160	Intec	30	5,030



Taking the Art Market's Pulse

New York sales went well, but caution persists

By Joan Westreich


'Backwash'

New York

WHEN the world's stock markets came crashing down last month, the tremors extended to the well-appointed offices of auction houses in London, New York and Geneva. There was dire talk of an abrupt halt to the record-shattering climb in art prices in recent years.

An initial test of those worries came last week in a round of contemporary art auctions in New York, the first of the important holiday sales season. The tentative assessments were that the market had indeed felt a jolt, but the damage so far seems minimal. If anything, the results give new testimony to the multilayered nature of the global art market.

Not surprisingly, the best works were sold, while lesser offerings of top artists and paintings with lofty reserves — or minimum selling price — went begging.

Robert Rauschenberg's "Backwash," an abstract study of paint and lettering from 1959, went for $814,000. That was a record price for the artist, and almost doubled the previous high. The work was bought by an unidentified collector at the Sotheby's sale, which brought in $17.7 million, the second-highest total ever for an auction of contemporary art.

At a Christie's auction the night before, Francis Bacon's "Figure with two Owls — Study After Velázquez Innocent X" was sold for $1.3 million, and the artist's "Study for Portrait of P.L. No. 1" garnered $858,000. But works by Jackson Pollock, Frank Stella, and Mark Rothko, among others, had no takers.

With $7.8 million in sales, the Christie's auction earned significantly less than the pre-crash estimates of between $9.3 million and $12.9 million. "Those reserves were set six months ago at the height of the bull market," reminds Robin Riley, Christie's fine art publicist. "When you have an inflated [art] market, there is always a natural weeding out."

Vitality persists in a number of sectors. In recent weeks both Christie's and Sotheby's had successful — sometimes record-breaking — sales of jewelry, silver, books and furniture. "London and European sales have remained strong," observed Michael Ainslee, president and chief executive officer of Sotheby's Holdings Inc., the auction house's parent company.

The results of the contemporary-art auctions buoyed the spirits of New York dealers, but a strong sense of caution prevails. Dealers say a number of corporate clients and individuals who do not fall into the category of ultrarich collectors have canceled purchases or put them on hold. Ronald Feldman, a SoHo gallery owner, says a client who withdrew a painting for sale after the crash was "waiting to see what [could be considered] a reasonable price after the auctions."

John Koegel, an attorney who represents artists, dealers and collectors, believes that "we've already seen the alleviation of the immediate fear of depression." But there is still considerable trepidation, he says, because of "the very close relationship between the health of the financial markets and the New York art market."

Mr. Koegel feels that gallery sales of contemporary art are going to suffer a bit. Rather than a general decline in prices, which dealers would resist, he sees "a cooling off of increases." But Mr. Feldman says "works that are not first-rate will probably drop in price."

Support for the market flows from the reluctance of owners of quality works to sell, and the view of many collectors that art represents a haven for their wealth in times of uncertainty.

"I spent the days after Black Monday furiously shaking the trees to see if I could find any apples to buy," reports Richard Feigen, a New York dealer. Far from being unsettled by foreboding talk, many owners said they "felt safer in paintings than elsewhere," he says.

Mr. Feigen suggests that art could become "a haven for funds afraid to be in the dollar or the stock market." Observes Mr. Ainslee: "In hard times, people invest in tangibles."

For the big-money investors, though, the fluctuations of the stock market will matter little. Ikkan Sanada, a consultant to major Japanese collectors, who tend to favor Impressionists and modern masters over contemporary, says his clients "view art as a long-term investment" and are "not really affected" by the stock market. Mr. Sanada's clients includes dealers in Japan and wealthy individuals, many of whom are entrepreneurs in the 40s.

This week's auctions of works by the Impressionists will be closely watched for further evidence of the art market's health. Mr. Ainslee reports global interest in van Gogh's "Irises." "We know of buyers from at least five countries who are interested," he says.

After March's watershed auction of the artist's "Sunflowers" for $39.9 million, it will be instructive to see whether "Irises" surpasses Mr. Ainslee's $25 million to $35 million estimate.

Mr. Sanada says he might have the right buyer. One of his clients, he says, "is seriously interested." But of course, he adds without a trace of irony, that's only "if the price doesn't go too excessively high." □

PROFILE

Global Themes in a Post-Crash World

Continued from page 7

have an investment strategy which is robust to the unfolding events."

Geoff Lewis, WolrdInvest's economist, says the two scenarios the firm envisaged "stood up fairly well" after the mid-October turning point in the markets.

The first called for moderate economic growth and inflation with the bulk of the downward adjustment in the U.S. dollar having already taken place. The second scenario foresaw the possibility of a continued decline in the dollar giving rise to tighter U.S. monetary policy, driving up bond yields and increasing the odds of recession in the United States. However, the firm was much more optimistic on inflation than other firms.

"We thought the inflationary fears were unfounded," Mr. Lewis says. "We've certainly seen that inflationary bubble, which arose earlier this year, completely deflated."

Mr. Lewis said the scenarios led the firm to be "quite optimistic on the prospects of fixed income and correspondingly very worried about the prospect for equities."

The rethinking that has gone on since stocks came crashing down has produced pessimistic estimates of future economic growth,

The firm is still bullish on Britain and Spain

Mr. Lewis says. He says the firm remains bullish on fixed-income instruments, with a typical balanced fund now weighted 60 percent in bonds.

"When it comes to choosing scenarios I think the vital factor which is going to help discriminate between them is what one assumes will happen to the fiscal policy debate in the U.S.," he says. The deficit deliberations, Mr. Lewis believes, are the starting point.

Worldinvest has not changed the weightings in their equity portfolios significantly since the market crash. The firm remains bearish when it comes to Japanese and German stocks. Even though Bonn lowered the Lombard rate last Thursday, Mr. Lewis still believes West Germany has not done enough to stimulate its economy.

By contrast, its portfolios reflect a bullish outlook for Britain and Spain. U.S. stocks still account for about 20 percent of their stock portfolios.

When it comes to British stocks, Margaret Paulus, an investment manager, says the firm has been concentrating on defensive investments and staying away from cyclical, economy-driven stocks. This has meant buying stocks in the consumer-oriented and interest rate-sensitive areas.

Among the firm's current holdings is Pleasurama whose hotels provide a ready cash flow and a highly visible asset base, Ms. Paulus says. The firm also favors Automated Security (Holdings) Ltd., which offers a range of security services from full-scale industrial surveillance systems to burglar alarms.

British Printing & Communication Corp. PLC, the Robert Maxwell publishing concern, is another stock held by the firm.

Ms. Paulus, who also specializes in Spanish equities, says the Madrid market fell significantly as foreign investors pulled out. But the sell-off, she contends, has created opportunities to buy stocks in sectors that had become too expensive before the crash, such as construction stocks. □

FUNDS

London: A Jolt For Funds

Continued from page 7

thing of a flap in the industry. Typically, British unit trusts have priced their fund shares on a historical basis.

The net asset value of the shares at the end of the previous day is used to fix the price of a transaction.

Earlier this year, the Securities and Investment Board proposed that unit trusts adopt forward pricing, meaning that the transaction would be based on the next calculation after the order was placed.

Forward pricing is the norm for U.S. mutual funds.

In a statement issued Oct. 27, the Unit Trust Association says "forward pricing" has proved unpopular with investors and went on record against the SIB proposal.

Mr. Stuttaford said the fact that managers were forced to temporarily adopt forward pricing in an emergency should not be used as an argument in support of using the system all the time.

For now, fund managers are more concerned with where the markets are headed and whether a wave of redemptions is in the making.

Industry observers say the possibility of a powerful redemption wave would be greatest during a rally or after prices have rebounded and stabilized.

In anticipation of a redemption rush, many fund managers raised cash by selling equities into a declining market so they would have money on hand. Perversely, this accelerated the markets' downward spiral.

Before October's stock market upheaval, U.K. unit trusts were growing at a record clip. Gross sales totaled £1.68 billion in September alone.

Net new investment, which excludes money paid out to customers cashing in units, reached $1.16 billion, a record high. The number of unitholder accounts rose by a record 329,000, Unit Trust Association figures show.

Funds under management amounted to £50.3 billion in the month to Oct. 1. Preliminary indications show that October's plunge shaved at least £10 million off that total.

The optimists say the collapse in share prices will simply mean a redeployment of assets by investors.

For example, some may shift money out of North American equity funds and into various government bond funds or gold funds.

But how well the unit trust business weathered the October crisis will not be known until market conditions calm down for a sustained period of time. □

Marybeth Nibley

Herald Tribune. INTERNATIONAL

BUSINESS/FINANCE

EUROBONDS

Sea of Official Liquidity Buoys Fixed-Rate Paper

By CARL GEWIRTZ
International Herald Tribune

PARIS — The storm of uncertainty swirling through markets since late October hit the foreign exchange market last week. But equity markets were becalmed, waiting to see what Washington does about its budget deficit and where the dollar ultimately settles. Central banks, maintaining the stance they have taken since the crisis erupted, continued to pump massive amounts of liquidity into money markets.

Last week, the central banks made these huge outlays trying to stabilize the dollar. The officials met more success in calming securities markets than in steadying the U.S. currency, but the dollar's decline, in the view of many analysts, was inevitable.

The Fed is likely to continue providing ample funds to the money market, says Henry Kaufman.

Bond markets were the major beneficiaries of the government action. The abundant liquidity translated into lower interest rates, and that fed a rush to buy fixed-income securities. Demand for paper denominated in Deutsche marks and yen was further boosted by foreign investors speculating on currency gains.

Even the dollar, weak as it was on the foreign exchange market, attracted buying. The U.S. Treasury auctions drew substantial demand last week from Japan, where investors borrowed dollars to buy the bonds since there was no immediate danger of prices falling. Using borrowed dollars to finance the purchases eliminated any currency risk.

However, U.S. bond prices eased late Friday. The market was unnerved by figures showing a surge in U.S. October nonfarm employment — taken as a sign that the economy was expanding faster than had been expected and reducing the chances of any further easing by the Fed.

But Salomon Brothers Inc.'s chief economist, Henry Kaufman, said that while "the Fed is likely to guard against encouraging market expectations of additional policy easing" monetary relaxation outside the United States and the likely cut in the U.S. budget deficit "will allow the monetary authorities to maintain their current stance."

ACCORDING TO Neal M. Soss, chief economist for First Boston Corp., "there is no risk over the next 30 to 90 days" of central banks tightening their monetary policies. He predicted that the Federal Reserve would not consider any tightening until the effects on personal wealth of October's crash in stock prices could be measured.

Economists are widely split on whether and by how much that drop in equity values will translate into a drop in U.S. consumer spending. Mr. Soss noted, for example, that a stock crash in 1962 had no negative effect on spending.

Given the difficulty in measuring the impact, Mr. Soss said he expects the Fed to maintain its easy money stance at least until a clearer picture on consumer attitudes emerges from the Christmas sales season.

Until then, he said, the Fed's major concern will be on tempering the fear stirred by the stock crash.

"Liquidity is the building block of all markets," he said. "Provision of liquidity provides greater financial stability."

That liquidity, however, was also the undoing of the dollar. Before the late October crisis in equity markets, interest rates on Eurodollar deposits were 4 percentage points over rates for Deutsche marks and yen, helping to attract investors into the U.S. currency.

By last week, with U.S. interest rates falling faster than the others, the differential was down to 3.3 points against the mark and 3 points against the yen — a level that the foreign exchange market deemed inadequate given the high probability that the dollar would decline in value.

But now that it has, analysts say, all that's missing to justify a new meeting of finance ministers from the seven leading industrialized nations is a U.S. commitment to cut its budget deficit. Then, all the ingredients will be in place to reconstitute the Louvre accord that sought to stabilize exchange rates through economic policy coordination.

"The most likely outcome," Credit Suisse First Boston said in its weekly market comment, "is some kind of U.S. budget package early this week followed by a formal meeting of the Group of Seven at which target ranges for the dollar and a round of joint interest cuts will be renegotiated."

It estimated the new dollar trading targets at 1.60 to 1.80 DM and 125 to 145 yen. The U.S. currency closed in New York on Friday near the middle of these values, at 1.6705 DM and 134.95 yen.

The only bond market not to have benefited last week was in France. The French Treasury had no sooner finished selling 4 billion francs worth of bonds to underwriters when the Banque de

See BONDS, Page 15

Currency Rates

Cross Rates

Nov. 6

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	1.8885	3.369	1.1248	0.3313	0.1527 *	—	5.377 *	1.3682	1.3958 *
Brussels(a)	35.13	62.50	20.93	6.175	2.8385 *	18.612	—	25.4475	0.2602
Frankfurt	1.4785	2.966	—	0.2946	0.1355 *	0.8891	4.778 *	1.2155	1.24 *
London (b)	1.783	—	2.983	10.18	2,206.50	3.3543	62.49	2.4545	241.25
Milan	1,237.49	2,202.60	737.75	217.21	—	656.20	35.277	898.21	9.169
New York(c)	—	1.787 b	1.6705	5.673	1,235.50	1.879	34.97	1.375	134.95
Paris	5.4925	10.155	3.399	—	0.4623 *	3.0275	0.1625	4.1415	4.211 *
Tokyo	134.80	240.48	80.41	23.73	0.1096	71.63	3.8514	97.97	—
Zurich	1.3755	2.4534	0.8236	0.2415	0.111 *	0.7326	3.9117 *	—	1.0183 *
1 ECU	1.2293	0.6902	2.0621	7.8111	1,522.32	2.32	43.1686	1.4958	166.719
1 SDR	1.3511	0.7598	2.2679	7.6914	1,683.49	2.5516	47.4655	1.8659	182.046

*Closings in London, Tokyo and Zurich, fixings in other centers. New York closing rates. a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	3.901	Fin. markka	4.116	Mex. peso	1669.00	S. Afr. rand	1.9782
Austral. $	1.4674	Greek drac.	131.00	N. Zealand $	1.621	Soviet ruble*	0.6134
Austr. schill.	11.80	Hong Kong $	7.8055	Nig. naira*	4.2108	Span. peseta	113.00
Belg. fin. fr.	36.01	Indian rupee	12.98	Norw. krone	6.3525	Swed. krona	6.052
Brazil cruz.	56.20	Indo. rupiah	1642.00	Phil. peso	20.80	Taiwan $	29.90
Canadian $	1.3202	Irish £	0.633	Port. escudo	136.50	Thai baht*	25.425
Chinese yuan*	3.7221	Israeli shek.	1.56	Saudi riyal*	3.7463	Turkish lira	947.25
Danish krone	6.4882	Kuwaiti dinar*	0.2757	Sing. $	2.049	UAE dirham*	3.6728
Egypt. pound	2.21	Malay. ring.*	2.4935	S. Kor. won	796.70	Venez. boliv.	31.803

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.7755	1.7749	1.7719	Canadian dollar	1.3221	1.3226	1.324
Japanese yen	135.23	134.85	134.52	Swiss franc	1.3775	1.3740	1.3714
Deutsche mark	1.6757	1.671	1.6668				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

			Ch'ge
United States			
DJ Indus.	1,959.05	1,993.53	— 1.73 %
DJ Util.	188.06	182.55	+ 3.02 %
DJ Trans.	768.86	757.24	+ 1.53 %
S & P 100	244.30	248.22	— 1.58 %
S & P 500	250.41	251.79	— 0.55 %
S & P Ind	285.67	288.59	— 1.01 %
NYSE Co	140.07	140.80	— 0.52 %
Britain			
FTSE 100	1,620.80	1,749.80	— 7.37 %
FT 30	1,274.00	1,360.90	— 6.39 %
Japan			
Nikkei 225	22,795.02	22,765.04	+ 0.13 %
West Germany			
Commerzbk	1,407.00	1,526.00	— 7.80 %
Hong Kong			
Hang Seng	2,133.67	2,240.13	— 5.65 %
World			
MSCIP	399.60	385.70	+ 3.60 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

	Nov. 6	Oct. 30
United States		
Discount rate	6	6
Federal funds rate	6 11/16	6⅞
Prime rate	8¾-9	9
Japan		
Discount	2½	2½
Call money	3 5/16	3 7/16
3-month interbank	3 15/16	3 15/16
West Germany		
Lombard	4.50	5.00
Call money	3.65	3.00
3-month interbank	3.95	4.00
Britain		
Bank base rate	9	9½-10
Call money	9⅝	9⅝
3-month interbank	8 9/16	9⅛

Gold	Nov. 6	Oct. 30	Ch'ge
London p.m. fix.$	460.00	468.80	— 1.88 %

U.S. Exchanges Vie to Lay the Blame

By James Sterngold
New York Times Service

NEW YORK — A bitter dispute has broken out between executives of the New York Stock Exchange, the Chicago Mercantile Exchange and the Chicago Board of Trade over responsibility for the stock market collapse three weeks ago.

John J. Phelan Jr., chairman of the NYSE, has irritated the Chicago Mercantile Exchange and the Board of Trade by suggesting that stock-index futures contributed to the market's swift descent.

Some of his criticism focused on program trading, a sophisticated strategy involving simultaneous trades in the stock-index futures market and the actual stocks that make up the index. Many argue that program trading accelerates sudden swings in prices, such as the 508-point plunge of the Dow Jones industrial average on Oct. 19.

Mr. Phelan has pointed out that the stock exchange stayed open on Oct. 20, but that the stock-index futures pits had to be closed.

The Merc and the Board of Trade have fired return salvos, complaining that trading was halted in many key stocks listed on the NYSE at various times during the market panic. The debate has already moved to Washington, where the exchanges are seeking to influence the outcome of a number of investigations into the market problems.

"Within the last five days, suddenly, we've been flooded by their people from New York and Chicago," a senior staff member of one of the congressional committees involved in an investigation of the markets said late last week. "It's one hell of a mess. I don't expect to hear a lot of rational thinking for a while."

"Sometimes," said Roberta S. Karmel, a former member of the Securities and Exchange Commission and now a director of the New York Stock Exchange, "when it gets to Washington, the financial industry does not always put its best foot forward because of the competition you

See SPLIT, Page 18

The New York Times

Leo Melamed, upper left, chairman of the Merc's executive committee, and John J. Phelan Jr., chairman of the NYSE. The Chicago Board of Trade at La Salle Street.

For Chicago Gatsbys, Unsure Futures

By Julia M. Flynn
New York Times Service

CHICAGO — Just as New York has flourished in recent years from the boom on Wall Street, so has Chicago prospered from the rising fortunes of its options and futures exchanges.

In part because of those exchanges, the tumble of parking lots and skid row hotels in the city's downtown section has given way to chic restaurants, glittering high-rise apartment buildings and health clubs that cater to the growing ranks of traders.

Top executives of the exchanges have become some of the most sought-after guests for society and charity events. And traders have been known to spend thousands of dollars during a single afternoon's shopping spree on Chicago's Magnificent Mile, where the most expensive stores in the city are found.

"The exchanges have given this city a real boost," said Bob Tamarkin, author of "The New Gatsbys," a book about Chicago's commodity traders. "They've told the world Chicago is more than just a rough-and-tumble town full of gangsters."

The importance of the options and futures exchanges to Chicago's economy has not been lost on the city's leaders. "Enjoy yourselves and make every damn dollar you can," urged Mayor Harold Washington in September, when the Chicago Board of Trade started Sunday evening trading sessions.

Now the city's exchanges are coming under siege. Rightly or wrongly, the financial futures born in Chicago's commodity trading pits have been widely blamed for the stock market's collapse on Oct. 19. And pressure to regulate them is mounting.

Although it is highly unlikely that Chicago's markets will disappear, tighter regulations could limit their growth and employment.

Such regulations "could cripple the industry," warned Merton H. Miller, a University of Chicago

See CHICAGO, Page 18

Argentina, IMF Said to Agree On Loan Plan

Reuters

WASHINGTON — Argentina and the International Monetary Fund have tentatively agreed on a new economic program that could soon free about $2 billion in IMF and commercial bank loans for the country, monetary sources said Sunday.

The U.S. Treasury also said that a previously announced $500 million bridge loan — to tide the country over until the funds are available — will be ready for disbursement in the next few days.

The sources said that Michel Camdessus, the IMF's managing director, had approved the Argentine program because the country was trying to solve its economic problems and promote expansion.

Argentina, which owes $54 billion to foreign creditors, is the developing world's third-largest debtor, with roughly half the foreign obligations of Brazil and Mexico. It owes U.S. banks alone about $8 billion.

The agreement is expected to end rumors that circulated in financial markets last week that Argentina was considering suspending its interest payments.

On July 23 the IMF approved a $1.4 billion loan program for Argentina. Of that, about $370 million was made immediately available.

Argentina was to receive an additional $215 million by the end of October, thus triggering the release of about $500 million from commercial banks. Both payments, however, were delayed because the country had not met IMF economic targets. The new agreement means that those funds will be released soon.

After the agreement is approved by the IMF's executive board, expected in about six weeks, the group will advance another $250 million and its sister organization, the World Bank, will release a similar amount. Commercial banks will then provide a second $500 million.

Brazil Debt Pact Is Win For Banks

By Anne Swardson
Washington Post Service

WASHINGTON — The hard-fought agreement between Brazil and its creditor banks includes some significant victories for the banks. But financial specialists say the accord still could face opposition from some.

Under the plan, announced late Thursday, a consortium of international banks will lend $1 billion and Brazil will contribute $500 million to come up with a $1.5 billion fourth-quarter interest payment in December. Brazil, the developing world's largest debtor, suspended payments on about $68 billion in medium- and long-term commercial debt on Feb. 20.

The agreement also calls for a contribution of $2 billion from the banks and $1 billion from Brazil to cover interest that has built up since the moratorium was imposed. That money would be disbursed after the two parties agree on a longer-range package of new loans and timetables for stretching out payments on existing debt. Negotiators hope to complete this second step by June.

On the face of it, it appears that the banks are actually lending money to Brazil so that Brazil, with total foreign debt of about $112 billion, can pay the overdue interest. But bankers said other elements of the package mark significant concessions from a country that strongly resisted resumption of payments.

"I believe this is the first step

See BRAZIL, Page 15

Inflation Is Ugly Word in China, but Most Prefer It to 'Controlled' Scarcity

By Edward Gargan
New York Times Service

BEIJING — There is a new ugly word in China: inflation. China's leaders debated what to do about it at a recent meeting of the Congress of the Communist Party. Newspapers have been running editorials about it.

And China's people, who are glad to see the food and goods that the higher prices are producing, are discussing the pros and cons of rising prices in markets and small shops.

Inflation has begun to take root as the nation adapts to the wide range of free-market reforms introduced over the last several years.

By one of the best measures available, prices are up more than 9 percent for the first six months this year, a very large increase for a country that until two years ago experienced inflation of only 1 percent or less for more than 30 years.

Prices have been rising so far and so fast lately that charges of profiteering have emerged, consumers are complaining and officials have established fixed prices. But like punching a down-filled pillow, suppressing prices in one place merely seems to plump them up elsewhere.

According to the monthly China Statistical Reports, food prices in cities were 19.5 percent higher in the first six months of this year than in the comparable period of 1986.

Certain commodities showed particularly dramatic increases. The price of grain products, including rice and wheat, was up 46.4 percent, and prices of fresh vegetables rose 26.9 percent.

Several Western diplomats who monitor China's economy believe that the inflation level is understated. "They don't have an index for such things as intermediate goods, things like motors for washing machines," said an economist at a Western embassy.

"The in-house statistics of the People's Bank of China show a higher rate of inflation," he added.

The problem of swiftly rising prices has so alarmed China's leadership that the matter was one of the principal topics of discussion at the 13th Congress of the Communist Party, which ended on Nov. 2.

In an address to the Congress as it opened on Oct. 25, Prime Minister Zhao Ziyang called for the eventual deregulation of virtually all prices. "We should gradually establish a system under which the state sets the prices of a few vital commodities and labor services while leaving the rest to be regulated by the market," he said.

The Party Congress, the body that formally approves policies for the country, ratified Mr. Zhao's position. But the degree to which prices will be deregulated will depend heavily on his ability to overcome political opposition.

Prices are seen as the key to whether economic reform will succeed in China, which has been undergoing economic upheaval under Deng Xiaoping, who just retired from the Communist Party's Central Committee.

Many Western economic analysts and many Chinese believe that China must shift to a system in which prices more realistically reflect supply and demand if the nation is to surmount the rigid inefficiencies of bureaucratic planning.

But to the nation's ideological

See CHINA, Page 15

Japanese Are Jittery on Investments

By Patrick L. Smith
International Herald Tribune

TOKYO — Exchange-rate volatility and stock market turmoil have thrown Japanese institutional investors into something close to panic, according to fund managers and financial analysts here.

The slump of the dollar against the yen is igniting fresh fears in Tokyo about the value of Japanese investments in U.S. securities and spreading confusion as to how these assets should be protected.

There is little immediate danger of a large-scale withdrawal of Japanese funds from the United States, where such investment has helped keep interest rates relatively low, local and foreign analysts said. But the flow of new Japanese money into dollar-denominated securities has virtually dried up.

At the same time, pessimism about prospects for Tokyo stock prices is deepening.

"People are at a loss as to what to do," said Nobumitsu Kagami, managing director of Nomura Investment Management Co., a subsidiary of Japan's largest securities firm.

Although last week's U.S. Treasury refinancing was adequately supported, analysts said there was little indication that Japanese investors intended to hold the notes and bonds in their portfolios as long-term investments. This follows the recent trend, where Japanese buying came largely from traders eager to make money on short-term price movements.

At Thursday's auction of 30-year bonds, dealers estimated that Japanese buyers accounted for at least 20 percent of the $4.77 billion in bonds on offer.

But reflecting expectations that the dollar will soon drop another 10 to 15 percent against the yen, Japanese investors are believed to have financed their auction purchases chiefly by liquidating other dollar-denominated holdings or by borrowing dollars to eliminate any further currency risk.

"The implications of this are clear," said Nobuyuki Ueda, a senior economist at the Long-Term Credit Bank of Japan. "If there's no new money moving into the U.S. market, we can expect further depreciation in the dollar's value and a consequent upward pressure on interest rates."

Japanese investors have, in effect, moved sideways — from U.S. stocks and government securities into short-term money-market instruments.

Japan's purchases of foreign bonds, concentrated in the United States, dropped 34 percent in the third quarter of this year, to $15.77 billion. Early this year, the total amount of Japanese funds invested in U.S. government securities and corporate bonds was estimated at about $100 billion.

In the long term, Japanese money managers said, they have no choice but to invest in the United States, since its markets are the only ones large or diversified enough to absorb Japan's trade surpluses.

Until recently, many of the large Japanese investors who were nervous about exchange-rate risks would have pumped funds into the Tokyo stock market.

But even after the relatively modest 13.5 percent decline in the Nikkei index of 225 leading stocks since Oct. 16, several factors suggest that Japanese equities are still vulnerable, analysts assert.

The yen's appreciation could undermine Japan's economic recovery by blunting the competitiveness of Japanese exports. Also, the renewed strength in Japan's economy is attracting funds into capital spending from purely financial investments and will initially depress share prices.

The only potential bright spot for Japanese institutions is the domestic bond market, analysts said, which is expected to rebound from recent lows because of declining interest rates.

Financial 'Whiz' Proves to Be Just a Kid

Compiled by Our Staff From Dispatches

LONDON — A 15-year-old British schoolboy who borrowed and gambled £100,000 ($178,000) on the London Stock Exchange after convincing brokers that he was a financial "whiz kid" faces possible charges for leaving them holding about £20,000 in losses, authorities said.

Officials said that his parents may have to make good on the losses, which were suffered in the recent stock market crisis.

"I didn't know about it until the local newspaper telephoned me," his mother said. His father said the family has sought legal advice.

Because of his age, police only identified the boy as being from Derbyshire in central England. They said he had gone home from school on lunch breaks to phone brokers.

Detectives said that the boy told school friends: "I'm on my way to making my first million."

Classmates said he had been buying shares by phone since he was 11. He celebrated his biggest deals with champagne and even had his own accountant, they said.

"He wasn't even studying economics. He's just a pupil of average intelligence," said the boy's headmaster, David Marshall. He was "certainly not the sort you would call a whiz kid."

Brokers said they thought their client was 19 — old enough to legally buy shares — and were impressed with his knowledge of financial jargon. He ordered shares from several companies totaling as much as £100,000 and was given credit.

His name was put through the London Stock Exchange's computer of bad debtors and when no trace was found he was assumed to be creditworthy.

Horrified brokers called police after discovering that the losses had been run up by a minor.

A spokesman for one of the brokerages said: "This young lad has been very naughty. We thought he was 19. He cannot be allowed to get away with it. He must be made to be responsible for his actions, even it it means having to pay off his debts for many years to come."

Police said they were astonished at how easily the youth was able to enter the world of finance.

"Apparently he was very convincing and knew all the terms involved," a detective said. *(Reuters, UPI)*

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

November 5

Dollar Straights

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Australasia					
Aust Com Bk	12⅞	89	106⅝	8.56	+93
Aust Com Bk	10	93	101½	9.66	+113
Australia	11	95	105¼	9.95	+120
Australia	11½	95	108	9.99	+121
Australia	11¼	00	104⅝	10.51	+169
N S Wales Trsy	11¾	90	105⅝	8.94	+112
New Zealand	7¼	89	97⅛	8.84	+126
New Zealand	7¾	90	97⅝	8.78	+92
New Zealand	7½	91	95¼	9.01	+81
New Zealand	7⅝	91	94⅝	9.25	+103
New Zealand	8	93	92¾	9.72	+128
New Zealand	8¼	93	94	9.71	+132
New Zealand	8	97	86⅞	10.22	+135
Qantas	10⅝	95	101¾	10.02	+126
Qantas	8⅝	96	92	10.07	+126
Queensland	11⅞	89	104¾	8.78	+110
Queensland	8	91	96⅛	9.29	+112
Queensland	7¼	92	92⅝	9.43	+118
Queensland	10¼	95	101⅜	9.97	+121
St Bk Sth Aust	10¼	92	103⅝	9.16	+92
St Bk Sth Aust	9¼	93	97¾	9.80	+144
Sth Aust Gov	8¾	93	95¾	9.78	+139
Victoria Sec 5	10	92	101⅞	9.51	+120
Victoria P	11⅞	92	107¼	9.52	+126
Victoria Sb	8½	93	94½	9.80	+136
Victoria Publ	8⅝	96	89⅝	10.15	+130
Canada					
B C Hydro	15¼	92	121	9.44	+117
B C Hydro	11¾	93	109⅝	9.65	+113
Canada	11½	90	106	8.53	+76
Canada	10	95	102½	9.54	+76
Canada	9	96	97¾	9.39	+59
Canadair	12½	89	106⅞	8.62	+98
E D C	12	89	106	8.55	+92
E D C	10	90	103	8.64	+76
E D C	8½	92	97½	9.19	+94
Farm Credit	7¾	96	88¼	9.82	+100
Manitoba	11¾	89	105¼	8.78	+114
Manitoba	10½	90	103⅜	8.93	+108
Manitoba	8¾	91	99½	8.91	+84
Manitoba	12½	94	113⅜	9.74	+103
Manitoba	7½	96	85⅝	10.03	+121
Olymp York	10⅝	95	98⅛	10.72	+193
Olymp York	8¼	96	88⅛	10.38	+156
Ontario Hydro	11¼	89	102	10.13	+244
Ontario Hydro	10¼	90	103⅝	8.65	+82
Ontario Hydro	11¾	90	107⅜	8.72	+76
Ontario Hydro	13½	91	112¼	8.99	+91
Ontario Hydro	12¾	92	113¼	9.26	+97
Ontario Hydro	15	92	120¾	9.34	+106
Ontario Hydro	11⅝	94	108⅝	9.70	+110
Petro-Canada	7¼	96	85⅝	9.85	+104
Prov Albert	7⅝	91	94⅝	8.96	+74
R B C	8⅝	93	93⅛	10.02	+158
Saskatchew	11⅞	89	105⅝	8.56	+92
Saskatchew	10¾	90	103⅝	8.91	+115
Saskatchew	8½	91	98⅝	9.06	+98
Saskatchew	10¾	92	105¼	9.19	+95
Saskatchew	15	92	120⅝	9.39	+111
France					
B F C E	7¼	91	94⅝	9.01	+80
B F C E	7	92	92⅝	9.09	+85
B F C E	7¼	93	90⅞	9.43	+100
B F C E	7⅝	96	88⅝	9.81	+97
B F C E	7¾	97	87⅝	9.83	+96
B N P	8¾	93	95½	9.84	+145
C A E C L	9⅝	95	94	[illegible]	[illegible]
C C C E	7⅛	91	93⅝	9.07	+82
C E P M E	7⅝	91	95	8.98	+79
C E P M E	10⅛	91	102	[illegible]	[illegible]
C E P M E	7¼	92	93½	9.09	+84
C N C A	10	90	102⅝	8.93	+96
C N C A	11¼	90	104⅝	8.80	+108
C N C A	7¼	91	93¾	9.26	+103
C N C A	13¼	91	111⅝	9.21	+106
C N C A	11½	92	107⅞	9.34	+109
C N C A	7½	94	89⅝	9.78	+118
C N C A	7½	96	85⅝	10.07	+125
C N E	11⅝	95	110⅛	9.72	+99
C N T	7	91	93½	8.97	+75
C N T	13¾	91	113⅝	9.02	+85
Cr Foncier Ew	10⅞	91	105⅝	8.90	+76
Cr Foncier Ew	12½	92	112⅛	9.19	+91
Cr Foncier	7½	94	91⅛	9.46	+89
Cr Lyon F/P	7¾	93	91¼	9.79	+131
Cr Lyonnais	9	91	99⅞	9.02	+94
Credit Nat	7¼	91	94¼	8.98	+76
Credit Natl	7⅝	92	93¾	9.13	+87
E D F	7¾	93	92⅝	9.45	+89
E D F	11⅛	93	107⅜	9.31	+90
E D F	10	95	100⅜	9.91	+115
S N C F	11½	93	109¼	9.20	+82
S N C F	7¼	94	90	9.44	+86
S N C F	7¾	96	88⅝	9.73	+91
Japan					
All Nippon Air	9⅝	97	94	10.37	+148
Bk of Tokyo	11	90	103⅝	9.18	+140
Bk of Tokyo	11⅞	90	106¾	9.25	+123
Bk of Tokyo	8	93	91¾	9.87	+132
Bk of Tokyo	8⅝	96	89⅞	10.21	+141
Dai-Ichi	10⅝	90	102¾	9.13	+124
Dai-Ichi	12¼	90	107⅛	9.24	+127
Dai-Ichi	8⅛	91	96⅝	9.21	+110
Daiwa 2	7⅝	93	90½	10.01	+145
Dkb Asia	8⅝	91	96⅛	9.38	+120
Dkb Asia 2	8	93	91⅛	9.93	+141
Fuji B & T	7⅝	91	94½	9.34	+113
Fuji Intl	10⅝	90	103⅝	9.14	+131
Ind Bk Jap	7⅝	92	93⅛	9.44	+121
Ind Bk Jap	8	93	92¼	9.82	+135
Ind Bk Jap	7⅞	97	85⅝	10.27	+139
Jap Airl	8⅝	96	89¾	9.88	+102
Jap Dev Bk	8	94	92⅝	9.55	+90
L T C B	10¼	90	103⅜	9.15	+131
L T C B	11	90	103⅝	9.16	+139
L T C B	8	91	95⅝	9.42	+123
L T C B	7⅝	93	91⅛	9.87	+144
L T C B	8	93	92⅝	9.84	+143
L T C B	8	96	87	10.30	+146
L T C B	8	97	87	10.24	+138
Metro Tokyo	8¼	96	91	9.80	+95
Mitsub Finance	11⅞	90	104¾	9.20	+133
Mitsub Fin 2	7⅝	93	90¾	9.97	+141
Mitsub Tst 2	7¾	93	90⅛	9.98	+143
Mitsubishi	7¼	92	92	9.65	+142
Mitsui Tst 2	7⅝	94	89⅝	10.04	+145
N C B	11	90	103⅝	9.14	+131
N C B	11⅞	90	106½	9.30	+130
N C B	7½	91	93⅝	9.52	+130
N C B	8½	91	97¾	9.27	+116
N C B	8	93	92	9.87	+139
N C B	10⅝	95	101⅛	10.06	+131
N C B	10⅝	95	102½	10.15	+137
Nippon T&T	7½	94	90⅝	9.60	+100
Nomura Intl	7¼	92	91¾	9.58	+133
Sanwa Intl Fin	11½	92	106½	9.64	+137
Sumitomo	10⅞	90	103⅝	9.16	+132
Sumitomo 2	7¾	91	94⅝	9.34	+113
Sumitomo	12¾	91	109⅝	9.33	+120
Sumitomo Bk	7½	92	92⅝	9.58	+133
Sumitomo	11¾	92	107⅝	9.56	+132
Taiyo Kobe 2	7¾	94	89⅞	10.03	+145
Tokai Asia	11½	95	106¾	10.15	+140
Tokai Bank	7½	91	94⅝	9.35	+121
Toyota	8⅝	90	99¼	8.92	+106
Toyota	8¾	90	99¼	8.91	+96
Toyota	7⅝	92	92⅝	9.27	+104
Yasuda Tst	8½	93	94⅝	9.83	+138
Yasuda Tst	10½	95	101⅝	10.17	+141
Scandinavia					
Denmark	7	89	97¾	8.37	+80
Denmark	11½	90	105⅝	8.84	+101
Denmark	8¾	91	97¼	9.14	+96
Denmark	12	91	107¾	9.16	+107
Denmark	13	91	110⅝	9.28	+113
Denmark	13¼	91	111⅝	9.50	+130
Denmark	7⅝	92	92¼	9.37	+113
Denmark	11½	92	107¼	9.37	+112
Denmark	7¾	93	92⅝	9.65	+124
Exportfinans	7¼	92	93⅝	9.21	+98
Exportfin	11¼	92	106½	9.34	+109
Exportfin	7⅝	93	91⅝	9.55	+106
Exportfinan	7⅝	93	91¼	9.58	+103
Exportfinan	7⅝	96	87⅛	10.10	+125
Exportfin	10	96	99⅝	10.06	+127
Forsmarks	8⅝	91	97	9.84	+177
N I B	7½	91	94⅝	9.09	+88
N I B	8⅝	91	95¾	9.80	+170
N I B Ser A	9⅝	96	96⅝	10.18	+137
Norsk Hydro	7	92	91⅛	9.61	+138
Norsk Hydro	10	93	99⅝	10.10	+162
Norsk Hydro	8	96	86¼	10.42	+162
Norway	7¼	91	95	8.85	+66
S A S	10⅛	95	99⅛	10.29	+150
S E K	6¾	90	94	9.69	+192
S E K	7¼	91	93⅝	9.18	+96
S E K	8⅝	91	99	8.96	+87
S E K	10	92	103⅝	9.03	+77
S E K	7½	93	92	9.42	+101
S E K	9⅝	93	101¾	9.17	+80
S E K	7½	94	90¼	9.60	+99
Saab Scania	9½	91	100½	9.29	+121
Saab Scania	7¾	92	93½	9.61	+136
Skandia Ins	7¼	92	92¾	9.35	+111
Statoil	10	90	102⅛	9.06	+114
Statoil	7⅝	94	87⅝	10.03	+143
Statoil	9¼	96	94½	10.26	+147
Sweden	10⅝	90	105	8.52	+70
Sweden	7	91	94	8.88	+67
Sweden	7	92	93⅛	8.89	+65
Sweden	8½	92	97⅝	9.05	+77
Sweden	9¾	92	102⅝	9.03	+73
Sweden	10¼	92	104⅝	9.19	+88
Sweden	8½	94	93¾	9.41	+73
Sweden	11¾	94	108⅞	9.94	+112
Sweden	8⅝	96	94¼	9.77	+96
Supranational					
Council Europe	8	96	89⅝	9.86	+103
Council Eur	9⅝	96	97⅛	9.88	+108
E C S C	7⅝	97	86½	8.90	+72
E C S C Tr A	8¼	96	90⅝	9.81	+96
E C S C	9⅝	96	97¼	9.87	+107
E E C	11⅛	90	105¼	8.39	+67
E E C	7	91	93⅝	8.90	+68
E E C	8⅝	91	99⅝	8.64	+57
E E C	7¼	93	92	9.21	+83
E E C Oct	12	93	111	9.46	+96
E E C	8¼	96	91⅝	9.71	+89
E E C	9⅝	96	97½	9.56	+76
E I B	11½	90	107½	8.62	+60
E I B	11	91	106¼	8.72	+63
E I B	10¼	92	103⅝	9.23	+86
E I B A	7⅝	93	92¼	9.34	+79
E I B	7⅝	93	92⅝	9.42	+89
E I B	10⅝	93	104¾	9.57	+105
E I B	11⅞	93	110⅝	9.43	+92
E I B	10¼	94	102½	9.74	+137
E I B	12⅞	94	115	9.62	+98
E I B	12	95	111⅝	9.75	+101
E I B	7¾	96	88⅝	9.72	+89
E I B	9⅝	97	97¾	9.73	+83
Eurofima	7¾	91	96¼	8.96	+77
Eurofima	9½	96	96½	9.87	+107
I A D B	9⅞	95	100¼	9.82	+103
I A D B	10½	95	103½	9.83	+106
I A D B	7⅝	96	87⅝	9.87	+103
World Bk	10⅞	90	104¾	8.36	+65
World Bk	11¼	90	106⅝	8.50	+52
World Bk	11½	90	107	8.48	+57
World Bk Jan	7	92	93⅛	8.83	+59
World Bk	11	92	107¼	8.85	+61
World Bk	10⅞	93	107	9.15	+75
World Bk	12	93	111	9.44	+95
World Bk	12¼	94	112⅝	9.49	+97
World Bk	12⅞	94	115¼	9.49	+99
World Bk	10⅛	95	102⅝	9.46	+90
World Bk	7¾	97	88⅝	9.68	+81
World Bk	9	97	95⅝	9.70	+80
World Bk	8½	16	85	10.11	+110
World Bk	9¼	16	91½	10.16	+115
World Bk	9¾	16	95⅝	10.21	+120
United Kingdom					
Abbey Natl	7½	92	93	9.56	+132
Barclays	10¼	90	102⅝	8.98	+106
Barclays	10⅝	95	102⅝	10.13	+134
BP Capital	9⅝	93	101½	9.23	+89
Brit Petro	11⅛	92	104	[illegible]	[illegible]
Brit Tele	8⅝	94	96⅝	9.59	+89
British Tel	7⅝	96	86⅝	[illegible]	[illegible]
Gef Co	7⅝	97	86¼	[illegible]	+107
Halifax	7½	92	92⅝	9.59	+136
Marks Spenc	8¼	96	91¼	9.78	+96
Midland	11½	92	106⅝	[illegible]	[illegible]
Natwest	7½	91	95⅛	9.12	+95
Natwest	11¾	92	109	9.40	+109
United States					
A T & T	9	16	87	10.43	+142
Aetna Life	7¾	16	92⅝	8.41	+95
Amer Brands	8⅝	92	97⅛	9.64	+136
Amer Genl	8½	98	88⅝	[illegible]	[illegible]
Betawest	10¼	92	103¼	9.41	+108
Betawest	7¾	[illegible]	[illegible]	9.44	+100
Campbell	10½	95	105¼	9.50	+97
Campbell	7½	98	85¼	9.80	+89
Chevron Corp	8¼	96	90½	[illegible]	[illegible]
Citicorp	8⅝	90	97⅝	[illegible]	[illegible]
Coca-Cola	8¼	90	98⅝	8.71	+82

(Continued on next left-hand page)

Mutual Funds

Figures as of close of trading Friday

November 6

NEW YORK (AP)—

Wall Street Review

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
Houlnd	468426	32½	31½	32	+ ½
PhilaEl	362345	20½	19¼	19½	+ ½
AEIPw	300900	27¼	26	26¼	− ¼
UCarb	135704	22½	20¾	21¾	+ ⅝
AT&T	114275	30½	28½	29⅞	− ⅛
CenSoW	109234	32¼	29⅞	31⅛	+ ½
GenEl s	106497	47¾	43¼	46½	−3¼
BrfPt pp	91534	17	15⅝	16⅝	− ⅛
IBM	91360	124⅞	118	119½	−1⅛
EKodk s	89512	57	50	51	−4¼
Exxon s	87103	44	41	41¼	− ¾
PSvNM	82120	24⅛	22	22⅛	−1¼
USX	78681	29	25⅛	28⅛	+1¼
GMot	77375	60⅞	57	58⅞	− ¼
AExp s	71245	26	23½	25	+ ⅞
SFeSoP	67033	56½	51¼	53¾	+3¾
vlTexaco	62014	34½	29⅞	30⅝	−2¼
Mobil	61339	41⅞	37⅛	38¾	−1⅝
Limited	56576	20⅝	17	19¼	−1¼
Digital	55878	139⅞	131¼	133⅞	−2½
NtSemi	50550	13½	12	12⅛	−1¼
ArchDn	50317	19¼	17⅞	18⅜	− ¼
Unisys s	50211	34	30¼	32⅝	−1⅜
FordM	48933	79½	73¼	75⅝	+ ⅛
DowCh	48224	80¼	71⅛	78⅞	+4⅞

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
Amdahl	24672	31½	26¾	30¼	− ½
WangB	23753	12⅜	11⅛	12	+ ⅛
TexAir	20904	14½	12¾	13⅜	− ⅝
BAT	19880	8	7⅛	7⅝	
EchBa s	17582	20½	16⅝	17⅛	−2⅝
LorTel	16398	9¼	7¾	9	+1
Telesph	11287	4⅛	3⅜	3⅝	− ⅛
NY Time	10810	33¼	29½	29¾	− ¼
FAusPr	9176	7⅝	7⅛	7½	+ ⅛
HmeSh s	8533	7⅜	6⅛	6½	− ⅛
WDigit	7929	16⅞	15⅛	15¼	−1¼
Alza	7441	26⅛	24	24¾	−1⅝
ENSCO	7091	3½	3	3⅜	
Hasbr s	7035	13⅛	11½	12⅝	+ ⅛
CarnCr n	6235	10¾	9	9¼	−1
Atari	6054	7¼	5⅞	6½	−1⅛
Gulf	6036	19¾	17⅛	18½	− ⅜
PhILD s	5666	8⅞	7	7⅞	+ ⅛
FruitL n	5526	5	4⅛	4½	− ½
PrcCm s	4983	11⅛	10⅛	10¾	+ ⅜
PallCp s	4612	24⅞	21¾	23⅝	−1½
Asmr s	4427	7	6⅛	6¼	
Conast	4157	3	2⅛	2¾	+ ⅛
Delmed	4034	1⅛	⅞	1	
Viacm pf	3913	22⅝	20⅜	22¼	+ ¼

NYSE Sales

	Sales Vol.
Total for week	1,060,460,000
Week ago	1,409,950,000
Year ago	792,220,000
Two years ago	587,530,000
Jan 1 to date	41,344,340,358
1986 to date	30,271,730,000
1985 to date	23,039,330,000

AMEX Sales

	Sales Vol.
Total for week	88,470,800
Week ago	103,240,800
Year ago	53,160,000
Jan 1 to date	3,043,770,000
1986 to date	[illegible]

NYSE Diaries

	This Wk	Last Wk
Advanced	1149	893
Declined	873	1129
Unchanged	171	168
Total Issues	2193	2190
New Highs	4	2
New Lows	136	794

AMEX Diaries

	This Wk	Last Wk
Advanced	491	308
Declined	422	625
Unchanged	125	107
Total Issues	1038	1040
New Highs	1	3
New Lows	77	487

Dollar Zero Coupons

DM Straights

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Flash 2	$35	1992	0.21	100.10	—	Over 6-month Libor. Noncallable. Fees 0.11%. Denominations $100,000.
Kansallis-Osake-Pankki	$50	1990	¼	100¼	—	Over the U.S. Treasury bond due Aug. 1997, semiannually. Noncallable. Redemption at maturity 70% in U.S. dollars and 30% in NZ dollars. Fees 0.175%. Denominations $1 million.
Sprint Three	$30	1992	0.24	100.10	—	Over 6-month Libor. Noncallable. Fees 0.15%. Denominations $100,000.
Investors in Industry Int'l.	£125	1994	⅛	100	—	Over 3-month Libor. Callable at par in 1992. Fees 0.65%.
Sanwa Australia Leasing	NZ$50	1992	0.45	100.10	—	Below the 6-month Bank bill rate. Redeemable at par on each interest payment date. Fees 0.10%. Denominations NZ$100,000.
Cregem Finance	¥15,000	1992	0.55	100¼	—	Below the Japanese long-term prime rate, semiannually. Noncallable. Fees 0.50%. Denominations 10 million yen.
ENEL	¥10,000	1992	0.55	100.10	—	Below the Japanese long-term prime rate, semiannually. Noncallable. Fees 0.15%. Denominations 10 million yen.
Tokyo Electric Power	¥60,000	1992	0.55	100.30	—	Below the Japanese long-term prime rate, semiannually. Callable at par in 1989. Fees 0.40%. Denominations 10 million yen.
FIXED-COUPON						
Austria	$250	1990	8½	100⅝	99.63	Noncallable. Fees 1⅜%. Denominations $10,000.
Deutsche Bank Finance	DM500	1993	5½	100	99.00	Noncallable. Fees 1¼%.
European Investment Bank	DM300	1995	6¼	100	99.50	Noncallable. Fees 1⅝%.
Compagnie Bancaire	£50	1992	10	101¾	99.25	Noncallable. Fees 1⅞%.
Ford Credit Funding	£50	1992	9⅝	101⅛	98.88	Noncallable. Fees 1⅞%.
World Bank	£150	2007	9¼	96	93.75	Noncallable. 30% payable on subscription and balance in June, 1988. Fees 2½%.
Financing for Danish Industry	DK300	1991	11	100⅝	98.75	Noncallable. Fees 1⅝%.
Vienna City	DK350	1994	11¼	101⅛	99.25	Noncallable. Fees 1⅞%.
European Community	ECU50	1994	7⅝	97¼	96.88	Noncallable. Fees not disclosed.
African Development Bank	¥15,000	1992	5¾	101¼	99.38	Noncallable. Fees 1⅝%.

Creditors Relax Rates, Fee for Fecsa

By Carl Gewirtz
International Herald Tribune

PARIS — Negotiators representing the international banking community have reached an agreement in principal with the private Spanish utility company Fecsa on a plan to restructure its debt.

The proposal, which banks will be asked to approve later this month, contains some unusual features. The most striking of these is the elimination during the first three years of the 10-year rescheduling agreement of any margin over the base lending rate.

In the following three years, Fecsa will pay a margin of ⅛ point over the London interbank offered rate or whatever other base rate is used. In the final four years, the margin rises to ⅞ point over the base rate. This compares with an average cost of about ⅝ point that Fecsa had been paying.

In addition, Fecsa is not being asked to pay creditors a fee for rescheduling the debt.

In the early days of the debt crisis, such bank charges ran as high as 1½ percent. But the most recent rescheduling agreements with Mexico and Argentina already eliminated those fees.

Bankers said that the waiving of this fee and the absence of any margin during the first three years is explained by two factors: Fecsa is not asking for any new money — whereas reschedulings by developing countries entail substantial new loans — and banks will receive an initial payment on existing debt.

In addition, lenders will have a currency option enabling them to switch the denomination of their loans to any currency in which the company already borrows.

The official explanation for the Libor-flat fee is that a reduction in the company's interest costs during the first three years is necessary to re-establish its financial health.

Although the banks were unwilling to say so, it was clear that the foreign creditors had to be seen as making some sacrifice to match the contribution that domestic financial institutions and the government are making to put the power company's finances on a sound footing.

Domestic institutions will be providing new capital amounting to 83 billion pesetas, and the government has agreed to allow the company to raise its tariffs. The government also will restructure the system, which averages the costs of all utilities in a way that is more favorable to Fecsa.

How much Fecsa initially will repay banks has not been made

INTERNATIONAL CREDIT

public. Bankers said it would be a "reasonable amount," but refused to be more specific, saying that it was a "politically sensitive figure."

The agreement calls for the rescheduling of the equivalent of 300 billion pesetas (about $2.7 billion) lent by foreign banks. This debt is denominated in an array of currencies, the most important of which are dollars, about 30 percent of the total; yen, about 20 percent; and pesetas, about 25 percent.

If after the fourth year Fecsa wants to prepay any of the debt owed to foreign banks, it will be obliged to pay a penalty fee of ¼ percent.

The proposal to resolve the financial crisis of Fecsa, which provides power to a large area of northern Spain, will be put to international banks next week, members of the negotiating committee said.

Other highlights in the international credit market last week included a $250 million credit facility for Union Carbide Corp. The chemical company, which is still negotiating with India on the cost of the accident at its plant in Bhopal, will pay a margin of 32½ basis points over Libor and an annual facility fee of 13½ basis points.

If during the course of the three-year loan the company's debt rating moves up to triple-B, the lowest of the ratings considered to be investment grade, the drawing charge would be reduced to 27½ basis points. The current rating is double-B-plus.

National Australia Bank is seeking a $250 million back-up facility for five years. It will pay an annual facility fee of 6¼ basis points and a onetime front-end fee of the same amount. The charge to draw on the loan is set at 6¼ basis points over Libor. However, it is unlikely the facility will be drawn as it is designed to backstop the sale of commercial paper in New York.

In France, Aerospatiale is in the market for a five-year multi-option facility of 3 billion francs. Drawings may be made in francs or other Eurocurrencies but because of the domestic franc option is open only to banks operating in France.

The annual facility fee is 5 basis points, but other details were not being divulged until underwriters receive their formal invitation early this week.

Despite the high volume of French companies tapping the market in operations designed to restructure existing bank lines and lower costs, there is obviously no lack of liquidity. Laffarge Coppee, which entered the market seeking a credit of 450 million European currency units, drew commitments of 630 million ECUs despite the low facility fee of 4 basis points.

However, Laffarge will not increase the size of the operation.

The dollar sector is equally responsive with Primerica, the financial services company, increasing its $400 million loan to $500 million following an oversubscription during syndication. It is paying a commitment fee of 10 basis points and a drawing charge of ¼ point over Libor for this three-year credit.

BONDS: *Prices Buoyed by Sea of Official Liquidity*

(Continued from first finance page)

France hiked money-market rates. The move, announced simultaneously with a cut in West German rates, was aimed at taking pressure off the franc in the European Monetary System.

The rate hike left the French banks sitting on a 3 percent loss on their bonds.

However, the rate increase was only a temporary move aimed at discouraging speculation against the franc. Anemic economic growth in France does not justify higher rates and the increase is expected to be rolled back as soon as the Group of Seven can meet.

In the Eurodollar bond market, Austria issued $250 million of three-year notes, which met strong demand. The paper, bearing a coupon of 8½ percent and priced at 100⅝, was offered to yield 75 basis points, or ¾ percentage point, more than comparably dated U.S. government paper.

A month ago, Austria would have been able to issue paper at a spread of 40 basis points. However, the demand was so great that within hours the Austrian paper was trading at a spread of 50 basis points.

Dealers said institutional clients who had lost money in the stock market were moving massively back into bonds. And the higher yields available on Eurodollar paper was attracting investors away from the U.S. bond market.

Credit Suisse First Boston reported that yields on five-year Eurodollar bonds last week were 56 basis points over Treasury paper, down from 71 basis points a week earlier.

In the Deutsche mark sector, Deutsche Bank Finance NV issued 500 million DM of five-year notes priced at par with a coupon of 5½ percent, equal to what five-year government paper was yielding. The European Investment Bank sold 300 million DM of seven-year paper bearing a coupon of 6¼ percent.

Dealers said foreign demand for DM paper was exceptionally strong.

The European Commission used the interest in strong nondollar currencies to raise 50 million European currency units, with an addition to an existing issue, and met modest demand.

Euroyen floating-rate notes issued by Italy's electric utility ENEL, Tokyo Electric Power Co. and Cregem Finance were popular with Japanese investors since floating-rate paper is not available in the domestic market.

Fed Was Tightening Policy Before Stock Market Drop

The Associated Press

WASHINGTON — The Federal Reserve Board was tightening U.S. credit conditions in the weeks before last month's stock market dive, according to minutes of a meeting of the Fed's policy-making body.

That move to tighten credit, initially signaled on Sept. 4 by a half-point increase in the Fed's discount rate to 6 percent, has been cited by analysts as a contributing factor to the record 508-point drop in the Dow Jones industrial average on Oct. 19.

The Federal Open Market Committee voted unanimously on Sept. 22 to place slightly tighter controls on money growth because of concerns about inflation, according to minutes released on Friday. Specifically, Fed officials voted to maintain "the slightly firmer degree of reserve pressure that had been sought in recent weeks."

The minutes also revealed that officials of the central bank, concerned about the economic shock of the stock market plunge, held daily telephone meetings from Oct. 19 through Oct. 30.

The Fed said its policy makers agreed "on the need for special flexibility in open market operations" during this period.

While the minutes do not explain what "special flexibility" meant, the Fed has moved aggressively since Oct. 19 to ensure that the banking system had sufficient funds to weather the stock market crisis. As a result of its efforts to add liquidity, money-market interest rates have fallen sharply.

The FOMC, which includes Fed board members and presidents of regional Federal Reserve banks, met again on Tuesday. The minutes of that meeting will not be released until late December. But private economists believe that the Fed decided to continue driving interest rates lower to keep the economy from toppling into a recession.

VACUUM: *After Stock Rout, the West Resembles a 'Convoy With No Admiral'*

(Continued from Page 1)

gain world stature. In West Germany, Chancellor Helmut Kohl, not a charismatic figure at the best of times, has hardly been heard from since the crisis erupted.

Mr. Schmidt believes that the best the West can do is muddle through until 1989 in the hope that the next American president will provide more effective leadership. Many others, however, believe that the situation is more urgent.

Western governments, said one former top European diplomat, are not just failing to respond to the crisis through concerted international leadership. They are actually slipping backwards into a blinkered and self-righteous nationalism that is making cooperation more difficult.

Everyone knows, he asserted, that West Germany must stimulate its economy except the West Germans, who are living in their own "dream world." The same goes for Japan.

Everyone also knows that the United States must take quick and decisive action to cut the budget deficit, except, apparently, the people in Washington who have to make the decisions.

The widespread view in Western Europe is that the U.S. Congress has been just as remiss as Mr. Reagan in failing to rise to the occasion and in forsaking international responsibility.

It is not just a question of coping with the latest crisis. The West, it is commonly agreed, is reaching the end of the post-World War II phase in which the United States could exercise unique and undisputed economic leadership.

But the Western decision-making system has not adapted to reflect the changing realities of power, in particular the growing economic weight of West Germany and Japan.

The stock market collapse has only underlined the point. It is universally recognized that whatever action Washington now takes, it cannot solve the problems of the world economy by itself. West Germany and Japan also have to have the political courage to make an economic contribution.

The word "hegemony" is much in vogue in intellectual circles for describing what the United States is losing. According to Webster's dictionary, hegemony is "preponderant influence or authority, especially of one nation over others".

Not everyone would agree with the French newspaper Le Monde, which abruptly announced the end of American hegemony a week after the Oct. 19 plunge in share prices.

But there is general agreement that the relative decline in U.S. economic power, in both the world and in the West, must lead to some reduction in U.S. influence — at least in economic, as opposed to strategic, decision-making.

Paul Kennedy, a history professor at Yale University and the author of a much-noticed article on the decline of America in Atlantic magazine earlier this year, believes that other factors are also at work.

He contends that the division of powers under the U.S. Constitution prevents any American president from becoming as powerful a leader as, say, Bismarck in the 19th century or de Gaulle in the 20th.

The constitution, designed for the 18th century, also slows down decision-making in today's much faster world, he argues.

That is not just true of the United States, Mr. Kennedy says. As the latest crisis has shown, there is an ever-widening gap between the speed of worldwide economic and financial events and the time needed for political decisions.

His main point, however, is that with only half the share of the world economy it commanded in 1945, the United States cannot expect to play the same unchallenged world role that it did at its peak.

"The United States still wants to keep all the chips and call all the shots," said Robert Hunter, Director of European Studies at Washington's Center for Strategic and International Studies. "But it is not prepared to pay the tab, which is to accept domestic political pain and economic discipline."

He and other experts agree that the United States must hand over some "real responsibility for economic management" to Japan and West Germany if the West is to emerge from its predicament.

A "multipolar" system is now evolving in which West Germany and Japan will have more influence, said Dominique Moisi, associate director of the French Institute for International Relations. But it is a much more difficult system to run, and there are as yet no rules of the game.

The fundamental question is whether West Germany and Japan are ready for the enormous political and psychological leap such a new role would require.

Judging from their unforthcoming behavior over the past three weeks and the ineffectiveness of their current leaders, one senior European diplomat said, the answer must be no.

Mr. Schmidt insists that both countries are still totally disqualified from world leadership because of their status as perpetrators, and losers, of World War II.

Europe could produce a leader if the European Community were a single economic and political entity, but that has not happened, Mr. Schmidt says.

Many believe that the annual summit meetings, attended by the leaders of the United States, Japan, West Germany, France, Britain, Italy and Canada, could provide the framework for the new multipolar leadership.

But the summits do not have a record of decisive action. Each leader tends to bring the concerns of his constituents to the table, not those of the wider world, and spend far too much time posing for the television cameras.

Finance ministers and central bankers may be able to patch up a solution that will get the West through the coming months. But they cannot fill the vacuum at the top.

There is some hope that lessons will be learned. If political forces do not convince West Germany and Japan that they have to take over some of the burden from the United States, the market will, says Mr. Hunter.

SELECTED U.S.A./O.T.C. QUOTATIONS

	BID	ASK
Alan Jones Pit Stop	2⅝	2⅞
Bitter Corp.	2⅛	2⅜
Chiron	14	14½
GoodMark Food	9⅝	9⅞
MAG Holdings	1⅝	2
NAV-AIR	—	1½
Nat. Business Systems	10⅝	10⅞

WITH COMPLIMENTS OF CONTINENTAL AMERICAN
These are indicative market prices

CHINA: *Inflation Is an Ugly Word*

(Continued from first finance page)

purists, who are still a strong force, the alarming inflation rate is a sure sign of creeping capitalism.

For some of the more rigid Marxists within China's leadership who just retired from the Central Committee but are still expected to exert some influence over policy, ballooning inflation provides rhetorical ammunition for attacking reforms.

"The old guys may not understand the relationship between the money supply and prices," a Western diplomat said, "but they sure understand the complaints from the people."

The Chinese people are glad to see that many foodstuffs and goods have become more available. That does not mean they are happy about having to pay higher prices.

"Trying to sell inflation to the Chinese people is tough," one Western analyst said. "Needless to say, they're skeptical of this."

The government has managed to protect most workers by raising wages. According to the overseas edition of Liaowang, or "Outlook," a general interest magazine published weekly, wages have risen by 120 percent in the last eight years. A Western economist in Beijing estimated that wages climbed 20 percent in urban areas last year and are up as much as 17 percent this year.

Even such entrenched reformers as Mr. Deng and Mr. Zhao have been willing to tolerate a temporary tightening of consumer price controls. They see the controls as a way of temporarily marshaling their forces, allaying consumer complaints and mollifying some of the more hard-line party members who are see the evil effects of capitalist policies everywhere.

Still, a growing number of younger Communist Party members committed to reform are distressed by the price controls that the government has implemented. They reason, correctly in the eyes of Western economists, that the controls simply postpone broad economic adjustments.

All reformers, from Mr. Deng on down, agree that economic growth is not possible in the long term without deregulation of prices throughout the economy.

Xiao Zhuoji, an economics professor at Beijing University, said that although China's inflation rate was too high, it was a natural consequence of reshaping the economy.

"The increase in prices is inevitable," he said, "because of the unreasonable pricing in the past. It is normal and it promotes production. In the past, prices were stable, but people couldn't find what they needed."

For just this reason, the government appears to be having some trouble enforcing its price controls. If it is a choice between paying more or having nothing to buy at all, consumers, shopkeepers and market managers all seem to prefer higher prices.

BRAZIL:
Banks Favored

(Continued from first finance page)

back on the road to creditworthiness for Brazil," said William R. Rhodes of Citicorp, which leads the bankers' committee. He said the next step is to complete the details on this short-term arrangement "and then sell it to the banks, then negotiate a medium-term arrangement with the Brazilians. This is a long process."

The accord was received coolly by the ruling Brazilian Democratic Movement Party.

"It is worse than we could have imagined, interest rates higher than we should be paying and conditions which could seriously jeopardize the national interest," Pimenta de Veiga, a federal deputy, said on national television.

The interest rate on the new loans is ⅞ of a percentage point above the benchmark London interbank offered rate, or Libor, the rate at which many banks arrange their own funding.

Brazil had first insisted on paying no more than the Libor rate, thereby cutting out any profit to the banks. Instead, negotiators accepted a slightly higher rate than the 13/16 above Libor that has been included in such other recent debt agreements as the one with the Philippines.

U.S. Treasury Department and Federal Reserve Board officials helped hammer out the agreement, and for this reason some bankers fear that non-American banks may resist making the new loans. U.S. regulators were threatening to order American banks to downgrade some of their Brazilian debt unless payments were resumed.

However, the agreement is unlikely to alter the separate, nonaccrual status of Brazilian loans in the fourth quarter, Reuters quoted New York bankers as saying.

With loans in this category, banks cannot account for the interest until it is actually received. Banks reacted to Brazil's moratorium by putting the country's loans on this basis beginning in the first quarter, with a consequent loss in earnings.

"Considering the circumstances, it's not a bad deal for both sides," said Pedro Pablo Kuczynski, co-chairman of the international arm of First Boston Corp.

BIS Talks Expected To Center on Dollar

Reuters

BASEL, Switzerland — Senior central bank officials from the leading industrial countries began talks at the Bank for International Settlements on Sunday expected to center on the collapse in the value of the dollar.

Despite repeated central bank intervention on the foreign exchange markets and attempts to "talk up" the dollar, the U.S. currency has lost about 6 percent of its value since they held their last routine meeting of the BIS — the clearing house for major central banks — on Sept. 7.

Even this week's coordinated cuts in European interest rates and the buying of dollars by central banks did little to stem the currency's fall. The dollar, they said, remains weighted down by doubts over the U.S. commitment to support the currency and worries over the U.S. budget deficit.

"If all central banks and political leaders could agree on the means to halt the dollar and stick to that, it should be possible to stop the dollar's fall in a concerted effort," a spokesman for the Dutch central bank said.

Analysts said such agreement seemed virtually unattainable, particulary after the U.S. Treasury Secretary, James A. Baker 3d, was quoted in the Wall Street Journal on Thursday as saying that, given a choice between recesssion in the United States and lower interest rates that could provoke a dollar slide, Washington would choose lower rates.

There were also doubts over how far Europeans will sacrifice their own monetary policy goals to prop up the dollar. The West German Bundesbank cut its relatively unimportant Lombard rate last week, and left its benchmark discount rate unchanged, despite U.S. calls for a cut.

Hans Meyer, the No. 3 policy maker at the Swiss National Bank, said in a radio interview this week that recent intervention had been small and intended to smooth the dollar's slide.

"The regular monthly governors' meeting is anyway not an arena to decide something," said a senior Bank of Japan source, virtually ruling out any new pact to supplement or replace February's Louvre accord. That agreement, endorsed by the seven leading industrial democracies, seeks to stabilize currencies through coordinated economic policies.

The BIS meets nearly every month, and the major topic for this routine meeting is tighter rules on minimum capital requirements for banks. The debate is likely to gain new urgency in the light of the recent drop in banks' share prices and the increased financing needs of many commercial bank customers.

U.S. Consumer Rates

	Nov. 6
Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.99 %
Money Market Funds	
Donoghue's 7-Day Average	6.46 %
Bank Money Market Accounts	
Bank Rate Monitor Index	5.84 %
Home Mortgage, FHLB average	9.67 %

Source: New York Times.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, November 6

Euromarts At a Glance

Eurobond Yields

	Oct. 28	Nov. 4
U.S. $, Int'l inst., 5 yrs & over	10.85	10.82
public issuers, 5 yrs & over	10.89	10.58
other issuers, 5 yrs & over	10.29	10.28
other issuers, 5 to 7 yrs	9.90	10.01
Pounds sterling, 5 to 7 yrs	9.89	10.06
French francs, less than 5 yrs	10.14	10.16
ECU, 5 yrs & over	9.86	9.73
5 to 7 yrs	8.53	8.75
Can. $, 5 to 7 yrs	10.90	10.75
Aus. $, 5 to 7 yrs	14.08	13.89
N.Z. $, less than 5 yrs	19.17	18.45
Yen, 5 yrs & over	6.47	6.32
3 to 7 yrs	5.86	6.09

Source: Luxembourg Stock Exchange.

Weekly Sales

Nov. 5

Primary Market

	Cedel $	Cedel Nom$	Euroclear $	Euroclear Nom$
Straights	21.40	382.80	154.70	735.60
Convert.	—	23.30	5.30	138.70
FRNs	—	192.90	83.50	597.90
ECP	1,611.80	130.90	4,147.10	128.60
Total	1,633.20	729.90	4,390.60	1,600.80

Secondary Market

	Cedel $	Cedel Nom$	Euroclear $	Euroclear Nom$
Straights	8,471.80	15,643.70	15,816.30	16,503.90
Convert.	708.20	672.50	1,542.90	1,244.10
FRNs	2,357.10	2,154.90	14,042.60	5,337.40
ECP	1,873.80	179.40	2,751.30	182.70
Total	13,560.90	18,654.50	34,153.10	23,268.10

Source: Euroclear, Cedel.

Libor Rates

Nov. 6

	1-month	3-month	6-month
U.S. $	6⅞	7⅝	7 5/16
Deutsche mark	3 11/16	4	4 1/16
Pound sterling	[illegible]	8 15/16	8 15/16
French franc	7 13/16	8⅛	8 7/16
ECU	7¼	7 3/16	7⅝
Yen	3⅞	4⅛	4 3/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

Treasury Bonds

Nov. 6

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
31.10.89	100 16/32	100 18/32	7.58	7.58
15.6.90	100 6/32	100 8/32	7.92	7.92
[illegible]	103 8/32	103 10/32	8.12	8.18
15.11.92	100 9/32	100 11/32	8.30	8.31
15.10.94	104 23/32	104 25/32	8.58	8.65
15.8.97	100 25/32	100 27/32	8.75	8.85
15.2.06	103 22/32	103 26/32	8.95	9.12
15.8.17	100 8/32	100 10/32	8.85	9.01

Source: Salomon Inc.

(Continued on next page)

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued)

Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]				

International Bond Prices

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
(Continued)					
I B	6	97	94.85	6.46	4.20
I B	6⅛	97	97.25	6.52	6.30
I B 2. Apr	6¼	97	97.55	6.47	6.28
I B	6¾	97	101.35	6.55	6.66
I B May	7¼	97	103.40	6.87	7.13
I B	5½	98	88.50	7.09	6.21
I B	6	16	78.70	n.a.	7.62
Euratom	7⅜	93	103.90	6.49	7.10
Eurofima	7½	98	105.15	5.34	7.13
Eurofima	8⅛	90	105.00	6.17	7.74
Eurofima	10¼	97	106.45	8.27	9.63
Eurofima	7¾	92	104.75	6.52	7.40
Eurofima	9	93	106.25	7.28	8.47
Eurofima	7⅝	94	106.00	6.43	7.19
Eurofima	6¼	96	96.50	6.79	6.48
Eurofima	6⅜	97	95.00	7.09	6.71
A D B	6¼	88	99.80	7.32	6.26
A D B	9⅝	89	107.00	5.23	9.11
A D B	7¾	91	105.45	5.84	7.34
A D B May	7⅛	92	103.50	6.29	6.88
A D B	8¼	92	107.40	6.37	7.68
A D B	9	92	110.65	6.16	8.13
A D B	7⅝	93	105.00	6.60	7.38
A D B	8	93	105.75	6.67	7.57
A D B Aug	8¼	93	107.55	6.61	7.67
A D B Dec	8¼	93	107.40	6.72	7.68
A D B	7½	94	104.00	6.77	7.21
A D B Jul	7¼	95	102.00	6.89	7.11
A D B Aug	6¼	96	96.50	6.79	6.48
A D B	6	97	93.00	7.03	6.45
A D B	6	01	84.75	7.87	7.08
[illegible]	6⅝	92	101.75	n.a.	6.51
World Bk	6	88	100.95	4.55	5.94
World Bk	6¼	88	101.60	4.65	6.15
World Bk	6⅜	88	101.25	3.54	6.30
World Bk	7⅞	89	104.75	5.03	7.52
World Bk	5¾	90	100.15	5.66	5.74
World Bk	7½	90	105.85	5.31	7.14
World Bk	7⅞	96	105.45	3.18	7.47
World Bk Aug	8	90	106.65	5.29	7.50
World Bk	10	90	111.75	4.81	8.95
World Bk Pp	6	91	100.25	5.90	5.99
World Bk Pp	7⅛	91	103.85	5.88	6.86
World Bk	7⅜	91	104.85	5.99	7.03
World Bk	7¾	91	106.60	5.67	7.27
World Bk	9¼	91	108.95	6.02	8.49
World Bk	10	91	112.00	6.53	8.93
World Bk	10½	91	114.25	6.08	9.19
World Bk Pp	5⅜	92	97.25	6.10	5.53
World Bk Pp	6⅜	92	100.60	6.20	6.34
World Bk Pp	6⅜	92	101.25	6.06	6.30
World Bk Pp	6⅝	92	102.20	6.30	6.48
World Bk Pp	7¼	92	103.30	6.36	7.02
World Bk	7⅝	92	104.50	6.02	7.30
World Bk	8⅛	92	108.15	6.04	7.51
World Bk May	8½	92	108.50	6.34	7.83
World Bk	9	92	111.55	6.14	8.07
World Bk	9½	92	112.50	6.34	8.44
World Bk	5¾	93	97.55	6.34	5.91
World Bk Pp	5¾	93	98.25	6.11	5.85
World Bk	7¼	93	103.25	6.49	7.02
World Bk	7½	93	104.25	6.53	7.19
World Bk Dec	8	93	106.35	6.69	7.52
World Bk Nov	7⅝	94	105.50	6.61	7.23
World Bk Feb	8	94	106.85	6.62	7.49
World Bk	8⅛	94	107.10	6.75	7.59
World Bk	6½	95	101.40	6.27	6.41
World Bk Aug	7	95	104.00	6.32	6.73
World Bk Jan	7⅛	95	104.20	6.37	6.84
World Bk	7¼	95	104.90	6.38	6.91
World Bk	7¾	95	106.10	6.67	7.30
World Bk	5⅝	96	96.50	6.30	5.96
World Bk	6	96	98.40	6.34	6.10
World Bk	5⅞	97	96.50	6.38	6.09
World Bk	6¼	97	99.60	6.30	6.28
World Bk Mar	6¼	16	84.00	7.64	7.44

DM Zero Coupons

Issuer	Mat	Price	Yld Mat
Austria	95	120.00	n.a.
Austria	00	117.00	n.a.
Commerzbk	95	60.25	6.94
Commerzbank	00	41.00	7.34
Euro Dm Sec C	96	55.50	7.25
Euro Dm Sec A	01	38.35	7.45
Euro Dm Sec B	06	25.50	7.71
Euro Dm Sec D	06	24.75	7.88
Euro Dm Sec D	21	7.65	8.00
Euro-Dm A	06	25.50	7.74
Euro-Dm A	11	16.40	8.06
Euro-Dm D	11	16.60	7.98
Euro-Dm	14	10.55	n.a.
Euro-Dm B	14	10.50	8.26
Euro-Dm C	16	10.25	8.35
Euro-Dm D	26	5.52	7.83
Federal Sec.	07	22.25	8.17
Intercont'l	00	38.25	7.89
World Bk	15	13.00	7.30

ECU Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
Aegon	7¼	95	95⅝	9.05	8.04
All Nippon Air	9	95	99½	9.08	9.05
B F C E	9⅝	92	104¾	7.79	9.13
B F C E	8⅝	93	100⅛	8.59	8.61
B F C E	9⅝	95	104⅝	9.01	9.46
B N P	7⅛	93	94⅛	8.46	7.57
B N P	7⅞	93	97¾	8.37	8.06
B N P	8⅞	95	101⅝	8.66	8.78
Bca Di Roma	8¼	93	97½	8.82	8.46
C C C E	7⅛	92	98¼	7.98	7.62
C C F	9¼	95	101¾	8.92	9.09
C N A	7⅜	95	95⅜	8.26	7.75
C N T Tra A	9¾	92	107¼	7.74	9.09
C N T Tra B	9⅝	95	104⅝	8.93	9.42
Colgate-Palmol	8	91	100¾	7.71	7.94
Cr Foncier	7⅜	94	96¼	8.39	7.92
Cr Lyonnais	6⅜	92	94⅛	7.90	6.75
Credit Nat'l	7⅜	90	99½	7.59	7.41
Credit Nat'l	8⅞	95	103⅝	8.20	8.56
Dai-Ichi	7⅞	97	87⅜	10.85	9.03
Denmark	7¾	92	99¾	7.81	7.77
Denmark	7⅞	94	97½	8.48	8.08
Denmark	7⅝	94	93⅛	8.79	8.18
E C S C	8	97	98⅛	8.25	8.13
E D C	6⅝	94	88⅝	8.28	7.17
E D F	9⅝	95	101¼	9.49	9.63
E D F	9	97	102⅝	8.58	8.77
E D F	7⅛	98	90⅛	8.56	7.91
E E C	7⅜	91	98⅝	7.75	7.47
E E C	7½	92	99	7.77	7.58
E E C	8⅝	93	102⅝	8.06	8.55
E E C	7⅜	94	96⅝	8.04	7.63
E E C	7⅝	96	97¼	8.19	7.84
E I B	7⅜	91	99⅝	7.41	7.38
E I B	8⅝	93	102⅛	8.10	8.45
E I B	7⅝	94	97½	8.14	7.82
E I B	8⅛	94	98	8.51	8.29
E I B	10⅛	94	107⅞	8.42	9.39
E I B	9⅝	95	107⅛	8.36	9.08
Elf Aquitaine	8⅜	88	100⅜	8.10	8.35
Euratom	7⅜	96	93⅝	8.41	7.87
Euratom	7⅛	97	90⅛	8.85	8.13
Eurofima Oct	8⅛	92	99⅝	8.18	8.15
Eurofima	7⅜	94	97⅜	8.11	7.81
Eurofima	7⅜	97	94	8.34	7.85
Fiat Fin Trade	8	91	99½	8.06	8.04
Ford Canada	8⅝	93	102¼	8.38	8.68
G Z B	7	93	89	9.50	7.87
Gillette	7⅛	93	94⅜	8.67	7.91
GMAC	7½	89	99⅜	n.a.	
I A D B	10	93	108⅛	8.04	9.25
I B M	8⅛	90	100¾	7.91	8.19
Italy		96	52⅞	7.80	
K B Ifima	7½	91	97	8.53	7.73
Mepal Finance	10⅛	95	100	10.10	10.12
Merrill Lynch	7	90	94⅜	9.15	7.42
Merrill Lynch	7⅛	90	97	8.79	7.40
Moet-Hennessy	9	91	98¼	9.60	9.16
Morgan Gty	8⅛	98	102⅛	7.61	8.32
N S Wales Trsy	8⅛	93	100⅛	8.82	8.86
Norsa	9	95	94	10.12	9.57
New Zealand	9¼	90	103¼	7.77	8.96
New Zealand	9½	92	104⅝	8.22	9.08
New Zealand	7⅝	93	95⅝	8.74	8.00
Nissan Motors	7½	96	91⅞	8.87	8.16
O L B Ew	9	89	101⅜	7.93	8.80
Parbel Fin	8⅜	89	99¼	9.08	8.69
Pepsico	7⅛	90	91½	8.22	7.74
Phibro Salomon	8½	96	90½	10.24	9.39
Philip Morris	7⅛	89	98⅛	8.35	7.39
R J Reynolds	8⅜	91	101¾	8.07	8.48
Rabobank	7½	96	95⅛	8.31	7.88
S A S	9	95	100⅝	8.92	8.97
S D R	7⅝	95	96⅞	8.32	8.00
Sec Pac	8⅝	90	99⅞	8.82	8.77
Sumitomo	8⅝	92	102⅜	8.06	8.52
Sumitomo Fin	9	93	102⅞	8.37	8.75
Sumitomo Corp	9⅛	93	104⅞	8.18	8.82
Sweden	6½	96	89⅜	8.21	7.24
Toyota Motor	8	90	98¼	8.49	8.10
Victoria P A	8⅞	90	100⅞	8.53	8.80
Vienna	8⅛	94	91	9.99	8.93
Walt Disney	8⅝	94	100⅝	8.55	8.47
Walt Disney	9⅛	95	101½	8.82	8.99
World Bk	8⅝	93	101⅝	7.90	8.35
World Bk	7½	94	96⅝	8.14	7.75
World Bk	8½	95	102⅛	8.13	8.32
World Bk	7⅝	97	97½	8.20	7.98
World Bk	6⅜	01	78	9.28	8.81

Yen Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
A D B	7⅜	94	110⅛	5.42	6.70
A I D C	6	96	103⅝	5.44	5.79
Allied Signal	6⅜	93	103½	5.94	6.52
Amex	5⅞	93	102⅜	5.36	5.74
Austr Control	5⅝	91	102⅛	5.00	5.43
Austr Control	5	93	98½	n.a.	
Australia	5½	97	101⅛	5.34	5.44
Austria	7	95	109⅜	5.39	6.39
Austria A	5⅝	96	102⅛	5.32	5.51
B F C E	5⅝	96	100⅛	5.49	5.73
Barclays Overs	6	96	103⅝	5.50	5.80
Belgium 2 M	4⅜	94	96¼	5.31	4.81
Bpca Finance	6	93	102⅝	5.47	5.84
British Petrol	7	92	108	4.96	6.48
C N C A	5⅝	94	99⅝	5.38	5.30
C N T	4⅜	92	95⅝	5.39	4.54
C N T	6¼	92	104⅝	5.11	5.96
C N T	5⅛	94	99	5.31	5.18
Canada	6⅛	91	103⅝	4.80	5.90
Canada	4⅜	92	97	5.11	4.51
Canada	5⅝	93	102½	5.10	5.49
Canadian Pacif	6⅜	96	106	5.50	6.37
Coca Cola	5⅝	96	101⅛	5.57	5.60
Cr Lyonnais	5	92	97¼	5.59	5.12
Credit Foncier	6½	96	107	5.42	6.07
Credit Nat'l	5⅛	92	100	5.12	5.12
Denmark Jan	5⅛	92	100⅝	4.90	5.08
Denmark Feb	5⅛	92	99⅞	5.16	5.13
Denmark	6⅝	92	106⅝	5.01	6.35
Denmark Mtg Bk	7	92	106½	5.33	6.57
Denmark	5⅞	93	102⅝	5.31	5.72
Denmark	6⅜	96	106	5.46	6.01
Dow Chem	7	94	104⅛	6.26	6.72
E C S C	5⅝	91	101⅛	5.03	5.31
E D F	5⅝	91	102	5.09	5.44
E D F	5⅛	94	99⅛	5.28	5.17
E D F	6⅞	95	108⅝	5.29	6.33
E D F	5⅝	96	102¼	5.30	5.50
E E C	4⅜	93	90	5.19	4.85
E I B	4⅝	94	96½	5.29	4.80
E I B	6⅛	96	104⅝	5.38	5.84
Eurofima	5½	93	101	5.27	5.45
Eurofima	6⅝	92	102⅝	5.87	6.45
Eurofima	5⅝	93	101½	5.30	5.54
Eurofima	6⅝	97	102⅝	5.77	6.39
Eurofima	6½	95	103⅞	5.86	6.26
Exportfinans	5	92	98⅛	5.35	5.07
Finland	5⅜	91	100⅝	5.25	5.35
Finland	5⅝	91	102⅛	5.05	5.43
Finland	5⅛	96	99⅛	5.24	5.29
G E C	5⅝	97	101⅝	5.44	5.47
Genl Motors Co	5⅝	91	101⅝	5.19	5.65
GMAC	6½	90	104⅝	4.16	6.20
GMAC	5⅜	91	99⅝	5.48	5.40
I B M	5⅝	91	102	5.08	5.44
Italy	4⅛	91	96⅜	5.10	4.26
Italy	5⅝	92	101.050	5.13	5.32
Itt Corp	4⅝	92	105⅛	5.36	4.62
Jap Govmt Bond	5⅛	96	104⅝	4.43	4.87
Kansai Elec	4⅝	94	95⅝	5.40	4.83
M M M	5⅝	91	102	5.10	5.64
Mcdonalds	6½	92	106½	4.75	6.10
Morgan J P	6	94	102⅝	5.53	5.86
N I B	6	91	102⅝	5.04	5.83
N I B	4⅝	92	98⅝	5.23	4.94
N I B	7	92	108½	5.06	6.45
N I B	5⅝	95	102¼	5.28	5.62
New Brunswick	7⅛	95	106⅛	6.05	6.70
New Zealand	7⅝	89	105¼	4.57	7.24
New Zealand	7⅛	90	106½	4.76	6.69
New Zealand	5½	91	101	5.22	5.45
New Zealand	4⅝	95	94⅝	5.40	5.01
Nippon T&T	5⅝	93	103⅛	5.14	5.58
Nippon T&T	5⅞	96	104½	5.22	5.62
Norway	5⅜	91	101¼	5.02	5.31
Norway	4⅛	92	94½	5.13	4.40
Pac Gas	7	94	106⅛	5.84	6.58
Penney Jc	6⅝	92	105⅜	5.29	6.41
Philip Morris	6½	91	103⅝	5.33	6.29
Postipankl	6½	91	104⅛	5.08	6.24
Postipankl	5⅜	93	101⅞	5.34	5.44
Postipankl	5⅛	94	98⅛	5.48	5.22
Proct & Gamble	6	91	102⅞	5.19	5.86
Proct & Gamble	6⅝	92	107⅛	4.67	6.17
Proct & Gamble	5⅝	93	101⅞	5.47	5.67
S E K	6	91	102⅞	5.05	5.83
S E K	6⅝	96	106⅞	5.56	6.20
S N C F	4⅝	93	98⅛	5.27	4.97
Sallie Mae	6⅝	92	106	5.00	6.25
Sears	6⅝	91	105⅜	5.23	6.50
Sweden	5⅜	91	101⅛	5.06	5.32
Sweden	5½	91	101⅝	5.01	5.41
Sweden	5⅝	94	100⅝	5.17	5.23
Sweden	5⅝	95	102⅛	5.29	5.51
Sweden	6	96	104⅝	5.38	5.73
T R W Inc	7	94	103⅞	6.30	6.74
Tokyo Elect P	4⅝	92	99⅛	5.10	4.92
Utd Tech	6⅝	92	105½	5.12	6.28
Walt Disney	6⅝	96	107	5.54	6.19
World Bk	6⅝	90	104⅝	4.51	6.32
World Bk Oct	5½	92	101⅞	5.05	5.40
World Bk	7⅝	93	112¼	5.31	6.79
World Bk	4⅝	94	98⅛	5.20	4.96
World Bk	6⅝	94	107½	5.33	6.16
World Bk	7	94	109⅛	5.26	6.41
World Bk	5⅝	96	103½	5.24	5.56
World Bk	6½	96	107⅜	5.31	6.03

Listing above does not include floating rate notes or convertibles.
Coupon, price and yield are expressed in percent.
For dollar-denominated issues, Spd/Trsy is differential between yield to maturity of bond and yield on U.S. Treasury's issues with the same maturity, expressed in basis points.
Prices and yields are all on a bid basis.
Pp: private placement.
W/w: with warrants.
X/w: ex warrants.

American Exchange Options

Figures as of close of trading Friday.

November 6

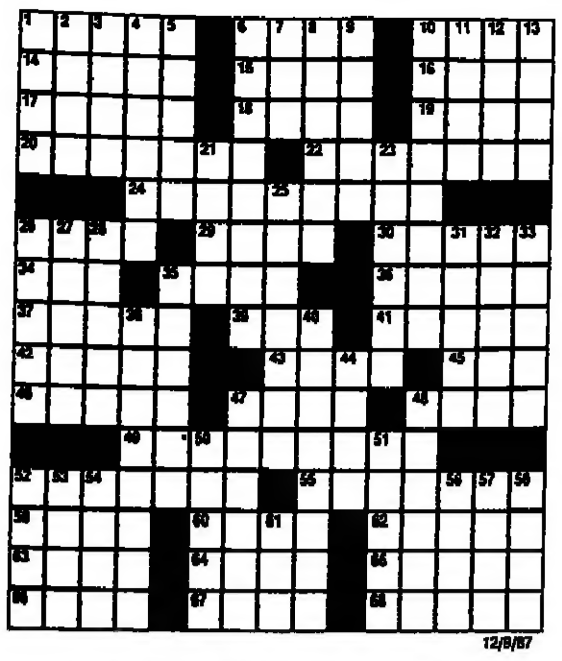
Option & price		Calls		Puts	
		Nov	Dec	Nov	Dec
[illegible]					

Chicago Exchange Options

Figures as of close of trading Friday.

November 6

Option & price		Calls		Puts	
		Nov	Dec	Nov	Dec
[illegible]					



12/9/87

ACROSS

1 Yellow stone
6 Grease
10 Shear
14 Dumbfound
15 Jug
16 Storyteller's material
17 St.-John's-bread
18 Tolstoy heroine
19 "... the playing fields of ——"
20 Knotty
22 Wind instrument
24 Mole's prey
26 Lily of opera
29 —— Carlo Menotti
30 Furors
34 Spanish landlady
35 Rooster's cap
36 Accustom
37 Carp
39 "—— Heldenleben": Strauss
41 Wristlet
42 Macduff, at one time
43 Savoir-faire
45 SHAEF sector
46 Mambolike dance
47 Distinctive air
48 Writer of westerns
49 Man from the Yard
52 Sentences to prison
55 Seminole chief
59 Sylvan plant
60 Sod for fuel
62 Purposeful
63 Love, for Plácido
64 Branches
65 Fanfare
66 Forbids
67 Actor Guinness
68 Rents

DOWN

1 Change course
2 Site of Muscat
3 Yugoslav coin
4 Atlantic island group
5 Veld equine
6 Manufacturer's need
7 Arista
8 Fame
9 Ursa Major neighbor
10 Fulton's steamboat
11 Novelist Pierre
12 Ferrum
13 Tony of baseball
21 Therefore
23 Hopper or Turner
25 Frequenter
26 Agreements
27 City on the Missouri
28 Of ships at sea
31 Engraver Albrecht
32 Declaim
33 British-Indian soldier
35 Launders
38 Some on Wall Street
40 Sleep-producing
44 Broadway musical
47 Beg
48 Place to spend drachmae
50 Above: Comb. form
51 Two foursomes
52 Pierce
53 Bombeck
54 Argon's kin
56 Pot for Pedro
57 Ananias
58 Bible book
61 Pierre's soul

DENNIS THE MENACE

"THIS IS MY NUMBER ONE TEDDY BEAR AND THAT'S MY SPARE BEAR."

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GALLE

DENEY

UNCOOP

WORMAR

HE'S SURE TO LET YOU KNOW THAT HE'S THE ONE WHO WEARS THE PANTS IN THE FAMILY—

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: THE

(Answers tomorrow)

Yesterday's | Jumbles: WEARY POKED CARNAL BEHALF
Answer: What some young American tourists might call the money they use in Paris— FRENCH "BREAD"

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F		ASIA	HIGH C	HIGH F	LOW C	LOW F	
Algarve	17	63	14	57	r	Bangkok	26	79	16	61	fr
Amsterdam	1	34	-3	27	o	Beijing	10	50	-5	23	fr
Athens	19	66	13	55	o	Hong Kong	19	66	10	50	cl
Barcelona	16	61	6	43	cl	Manila	32	90	26	79	cl
Belgrade	18	58	2	36	sw	New Delhi	21	70	7	45	fr
Berlin	0	32	-5	23	cl	Seoul	7	45	1	34	cl
Brussels	4	39	-4	25	fr	Shanghai	12	54	-1	30	fr

AFRICA

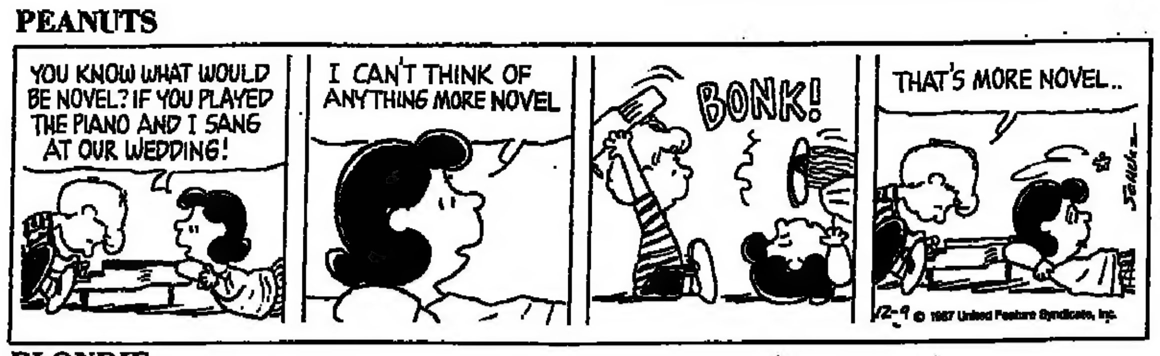
LATIN AMERICA

NORTH AMERICA

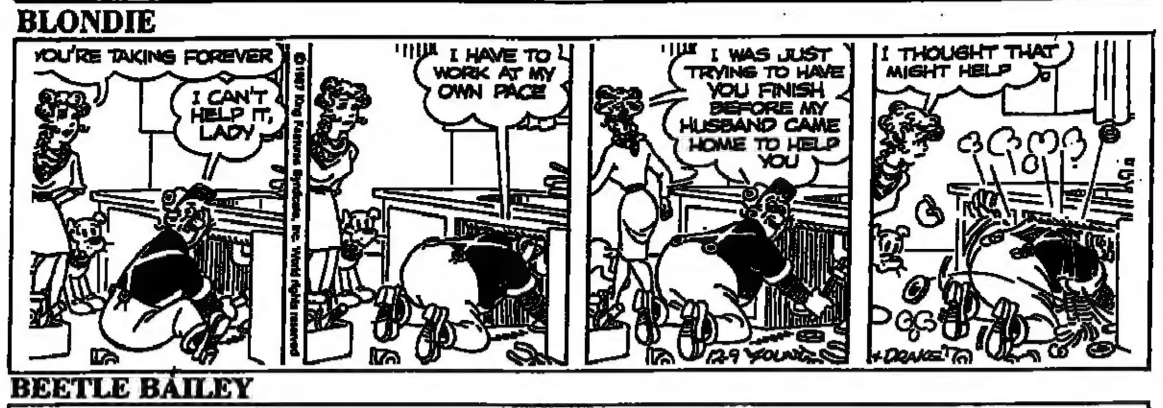
MIDDLE EAST

OCEANIA

PEANUTS

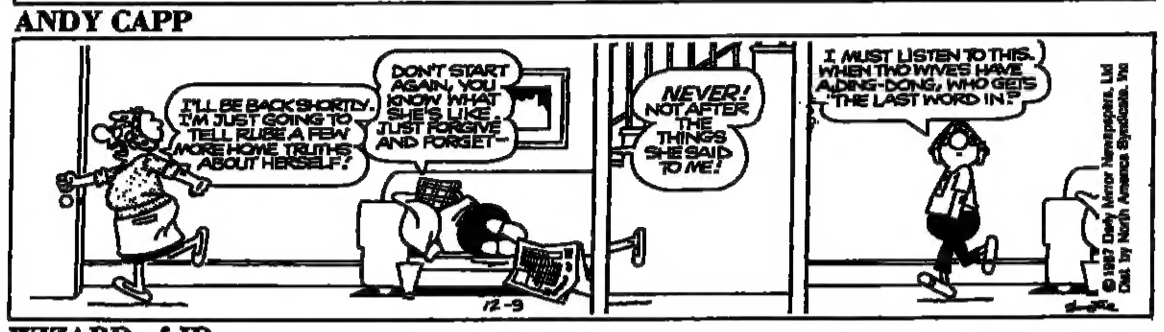


BLONDIE



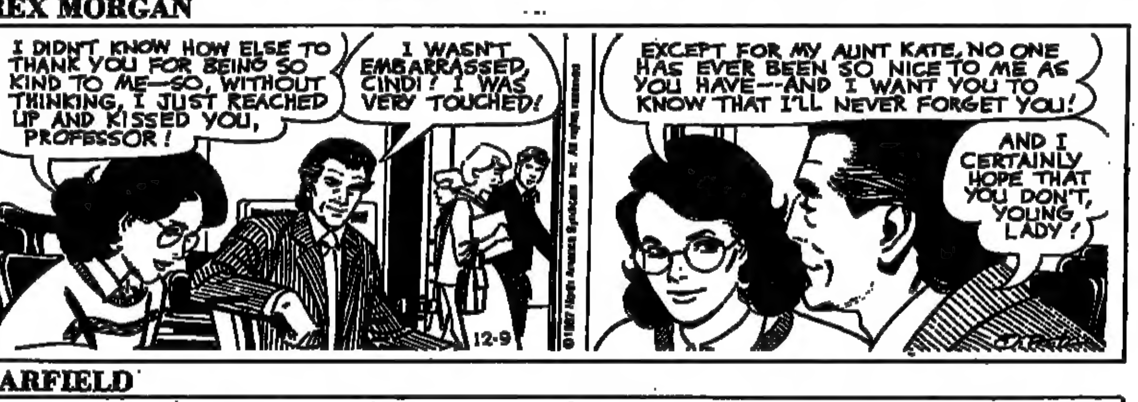
BEETLE BAILEY

ANDY CAPP



WIZARD of ID

REX MORGAN



GARFIELD

BOOKS

THE SHIFTING POINT

By Peter Brook. Illustrated. 254 pages. $22.50. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N. Y. 10022.

Reviewed by Mel Gussow

IN the preface to his new book, Peter Brook announces that he has never believed in "a single truth" but has always sought a point of view with which one has "passionate, and absolute, identification." The fact is that Brook is neither didactic nor dogmatic, but "stereoscopic" in his receptivity to experience and to theatrical possibilities. That flexibility is not always readily apparent to viewers of his individual works; so many of them seem to make definitive statements. In his career — a career that in its virtuosity is unmatched by that of any other contemporary director — he has leaped from landmark to landmark, with work as varied as "Marat-Sade" and "A Midsummer Night's Dream."

Brook's "shifting" is actually a searching. Just as he has not allowed himself to be locked into predictability — he has resisted career opportunities with a consistency bordering on defiance — he has not been trapped by his own past. His Paris-based theater emphasizes research; process remains more important than result. This is one reason it is so fascinating to read about Brook's journeys. The articulation he demonstrates as a director exists equally in his writings and in his conversation, which are often synonymous.

In contrast to his previous book, "The Empty Space," which derived from a series of university lectures, "The Shifting Point" has an informal, collective provenance. It is an anthology of articles, prefaces and edited excerpts from interviews drawn from a period of 41 years. However, what the book lacks in structure it more than compensates for in content — and it whets one's appetite for a real Brook memoir.

A skillful writer, he is revealing about the genesis of his own art and also about the art of others. The firsthand impressions of Gordon Craig, John Gielgud and Jan Kott are the perceptions of a man with the keenest eye for relevant detail. The tale of the laborious effort that went into the film of "The Lord of the Flies" is vintage Hollywood reportage. The story opens, flavorfully, with Sam Spiegel holding a beachfront conference about the novel he has just purchased (and which he subsequently sold). To Brook's dismay, the producer asked him, "What are we going to call the film?"

In such a fashion, the author offers pithy anecdotes that act to lighten the philosophical load (but not the portent) of his book. At the same time, one must note that he can reach for a metaphor, especially one of a culinary variety (theater as "the stomach," the world as "a can opener"). Those infelicitous phrases aside, Brook's book documents his open road to rediscoveries.

Along with "The Empty Space," "The Shifting Point" earns its place in the library of invaluable theatrical volumes.

Mel Gussow is on the staff of The New York Times.

Solution to Previous Puzzle

H	A	R	P	■	A	B	A	C	A	■	A	P	O	D
E	C	H	O	■	C	A	R	A	T	■	M	I	M	E
W	H	I	M	■	R	H	Y	T	H	M	I	C	A	L
S	E	N	A	T	E	S	■	■	■	L	U	S	T	R	E
■	■	■	O	D	E	S	■	R	E	E	D	S	■	■
A	R	C	E	D	■	C	H	A	T	■	I	R	M	A
C	H	E	S	S	■	R	U	S	E	■	S	H	O	P
T	O	R	■	■	S	E	M	I	S	■	■	I	N	A
O	D	O	R	■	T	O	B	E	■	A	S	N	E	R
R	A	S	E	■	A	L	A	R	■	R	H	E	T	T
■	■	■	L	I	N	E	S	■	D	E	U	S	■	■
E	R	R	A	N	D	■	■	■	S	E	A	T	T	L	E
R	H	A	P	S	O	D	Y	I	N	■	T	O	U	R
R	E	F	S	■	F	E	E	L	S	■	E	N	N	A
S	A	T	E	■	F	L	A	K	E	■	R	E	A	L

12/9/87

BEST SELLERS

The New York Times

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

FICTION

This Week		Last Week	Weeks on List
1	THE TOMMYKNOCKERS, by Stephen King	1	[illegible]
2	KALEIDOSCOPE, by Danielle Steel	2	[illegible]
3	THE BONFIRE OF THE VANITIES, by Tom Wolfe	3	5
4	LEAVING HOME, by Garrison Keillor	4	10
5	PRESUMED INNOCENT, by Scott Turow	7	26
6	PATRIOT GAMES, by Tom Clancy	6	19
7	HEAVEN AND HELL, by John Jakes	5	10
8	BELOVED, by Toni Morrison	8	12
9	SARUM, by Edward Rutherfurd	9	16
10	BLUEBEARD, by Kurt Vonnegut	11	6
11	LEGACY, by James A. Michener		13
12	A MAN RIDES THROUGH, by Stephen R. Donaldson		1
13	2061: Odyssey Three, by Arthur C. Clarke		1
14	RUBBER LEGS AND WHITE TAIL-HAIRS, by Patrick F. McManus	15	5
15	HOT FLASHES, by Barbara Raskin	12	11

NONFICTION

This Week		Last Week	Weeks on List
1	TIME FLIES, by Bill Cosby	2	10
2	FREE TO BE...A FAMILY, edited by Marlo Thomas with Christopher Cerf and Letty Cottin Pogrebin	1	3
3	THE CAT WHO CAME FOR CHRISTMAS, by Cleveland Amory	8	2
4	FAMILY: The Ties That Bind...and Gag!, by Erma Bombeck	7	13
5	SPYCATCHER, by Peter Wright with Paul Greengrass	4	19
6	THE GREAT DEPRESSION OF 1990, by Ravi Batra	3	22
7	VEIL, by Bob Woodward	6	8
8	LOVE, MEDICINE & MIRACLES, by Bernie S. Siegel	5	35
9	MAN OF THE HOUSE: The Life and Political Memoirs of Speaker Tip O'Neill, with William Novak	9	13
10	THRIVING ON CHAOS, by Tom Peters	10	7
11	SEVEN STORIES OF CHRISTMAS LOVE, by Leo Buscaglia	15	[illegible]
12	THE DISCOVERY OF THE TITANIC, by Robert D. Ballard with Rick Archbold	11	6
13	A DAY IN THE LIFE OF THE SOVIET UNION, (Collins Publishers)	13	4
14	AND THE BAND PLAYED ON, by Randy Shilts	12	4
15	A DAY IN THE LIFE OF AMERICA, (Collins Publishers)		46

ADVICE, HOW-TO AND MISCELLANEOUS

This Week		Last Week	Weeks on List
1	THE 8-WEEK CHOLESTEROL CURE, by Robert E. Kowalski	1	22
2	THE FRUGAL GOURMET COOKS AMERICAN, by Jeff Smith	5	2
3	SUPER MARITAL SEX, by Paul Pearsall	2	5
4	WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY (Merriam-Webster)	3	117
5	WEBSTER'S NEW WORLD DICTIONARY, (Simon & Schuster)	4	25

BRIDGE

By Alan Truscott

A MIXED pair from the Midwest was in the lead at the midpoint of the prestigious Blue Ribbon Pair Championship at the American Contact Bridge League's Fall Nationals. After the first semifinal session, Dennis Clerkin of Bloomington, Indiana and Marinesa Letizia of Columbus, Ohio, were ahead of their nearest challengers by the slender margin of four match points. Almost 4,200 players competed here and all of them played the same deals, in common with 18,000 others around North America who competed in the continentwide Charity Game. This year the primary beneficiary is the Arthritis Foundation, which was presented with a check for $150,000. The 5,500-odd players who held the South hand shown were sharply divided on the question of the opening bid. Some bid one club and planned to bid hearts twice, giving a good distributional picture. Others preferred to indicate great power at once with an artificial two-club bid. Since the spade king was favorably placed and the hearts split 4-3, it was possible, and important at match points, to make all the tricks. This was easy enough with a spade lead, which occurred at many tables, but was a little more tricky after a diamond lead. South ruffed and crossed to the heart king. It was now good technique to take the spade finesse and then play to ruff two hearts. Those declarers who played for heart ruffs immediately, preserving the ace in the closed hand, eventually found that the spade finesse was risky. If it lost, West might be able to give his partner a fourth-round heart ruff.

NORTH
♠ J 8 7
♡ K
♢ K 10 8 6 4 2
♣ 8 6 5

WEST
♠ 9 4 3 2
♡ 8 6 4 2
♢ J 7 5
♣ 10 2

EAST
♠ K 10 6 5
♡ Q J 9
♢ A Q 9 3
♣ 9 4

SOUTH (D)
♠ A Q
♡ A 10 8 7 3
♢ —
♣ A K Q J 7 3

East and West were vulnerable.
The bidding:

South	West	North	East
2 ♣	Pass	2 ♢	Pass
3 ♣	Pass	3 ♢	Pass
3 ♡	Pass	4 ♣	Pass
6 ♣	Pass	Pass	Pass

West led the diamond five.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Dec. 8.

Amsterdam

Brussels

Frankfurt

London

Helsinki

Hong Kong

Johannesburg

Market Closed

The stock markets in Milan and Madrid were closed Tuesday for a holiday.

Paris

Sao Paulo

Singapore

Stockholm

Sydney

Tokyo

Zurich

Toronto Dec. 8

Canadian stocks via AP

Sales	Stock	High	Low	2 P.M.	Chg.
47813	TrCan PL	$14⅝	14½	14⅝	+ ⅜
71800	Trimac	400	390	395	+ 5
1966	Trilon A	$15⅛	15⅛	15⅛	
4250	Trizec A f	$24½	24¼	24½	+ ½
66300	Turbo	68	64	66	− 2
2400	Unicorp A f	$5½	5⅜	5½	+ ⅛
2000	U Enterise	$8¾	8½	8¾	+ ¼
4180	U Keno	$8⅝	8⅝	8⅝	+ ⅛
7296	Westmin	$8¾	8⅝	8¾	
2920	Weston	$32	31¾	32	+ ½
2815	Woodwd A	$5⅝	5⅛	5⅛	+ ⅛

Total sales 15,449,819 shares

	Noon	Prev. Close
TSE 300 Index:	3,006.40	2,982.60

To Our Readers

Montreal stock prices were not available Monday due to technical problems at the Associated Press in New York. We regret any inconvenience to readers.

Chevron Raises Stake In Japanese Venture

Reuters

SAN FRANCISCO — Chevron Corp. has raised its stake in Karonite Chemical Co. to 82 percent from 45 percent by buying most of the equity belonging to Japan's Kao Corp. Karonite is a Japanese maker of lubricating oil additives.

Chevron said Monday that its other partner in Karonite, Nomura Jimusho Inc., raised its stake to 18 percent in the transaction. Terms were not disclosed. Kao owned 45 percent of Karonite.

SPORTS

Oklahoma Wins, 29-10, But Loses 2 Key Players

Compiled by Our Staff From Dispatches

NORMAN, Oklahoma — Top-ranked Oklahoma found a way to beat No. 12 Oklahoma State on Saturday, but now must find a way to stay No. 1 without quarterback Jamelle Holieway and fullback Lydell Carr.

Holieway and Carr went out with knee injuries during the Sooners' 29-10 victory over the Cowboys; both will miss the rest of the season.

U.S. COLLEGE FOOTBALL

"We lost two great players," said Coach Barry Switzer. "Jamelle Holieway will be operated on, and Lydell Carr has ligament damage and will be in a cast for the rest of the season."

Holieway is Oklahoma's leading rusher this season with 919 yards, and Carr is second with 673.

Substitute fullback Rotnei Anderson, a junior, entered the game Saturday in the first series after Carr was injured. Anderson carried the ball 30 times for 191 yards. Before he was injured, Holieway added 123 yards, as the Sooners rushed for 413.

Holieway, a junior, injured his left knee on a run in the fourth quarter.

The costly victory raised Switzer's career record to 146-25-4, putting him ahead of Bud Wilkinson as the winningest coach in the school's history.

The Sooners are 9-0 overall and 5-0 in the Big Eight Conference. Oklahoma State dropped to 7-2 and 3-2, with its other loss coming against No. 2 Nebraska.

Oklahoma will play at home next week against Missouri and finish the season Nov. 21 at Nebraska, a game that figures to decide the top team in the country heading into bowl season. The winner will play in the Orange Bowl.

Switzer said Holieway would be replaced by Charles Thompson, a freshman who has played extensively this season in the backup role. Anderson will replace Carr.

Nebraska 42, Iowa State 3: In Lincoln, Nebraska, I-back Keith Jones gained a career-high 240 yards on 15 carries and scored two touchdowns as Nebraska improved to 9-0 overall and 5-0 in the Big Eight. The Cornhuskers have out-scored conference opponents by 229-15.

Florida State 34, Auburn 6: In Auburn, Alabama, Danny McManus threw three touchdown passes and Derek Schmidt kicked two field goals and four extra points to become the leading scorer in National Collegiate Athletic Association history with 370 points as Florida State took advantage of five first-half turnovers.

UCLA 52, Oregon State 17: In Corvallis, Oregon, Troy Aikman threw for two touchdowns and Eric Ball, replacing the injured Gaston Green, ran for three more scores, boosting seventh-ranked UCLA to 8-1 overall and 5-0 in the Pacific 10 Conference.

Syracuse 34, Navy 10: In Annapolis, Maryland, senior quarterback Don McPherson completed 11 of 20 passes for 197 yards and touchdowns to wide receivers Deval Glover and Tommy Kane as bowl-bound Syracuse improved to 9-0.

Clemson 13, North Carolina 10: In Chapel Hill, North Carolina, David Treadwell kicked a 30-yard field goal with 32 seconds to play, giving the Tigers, 5-1 in the Atlantic Coast Conference and 8-1 overall, a shot at winning the league championship next week against Maryland.

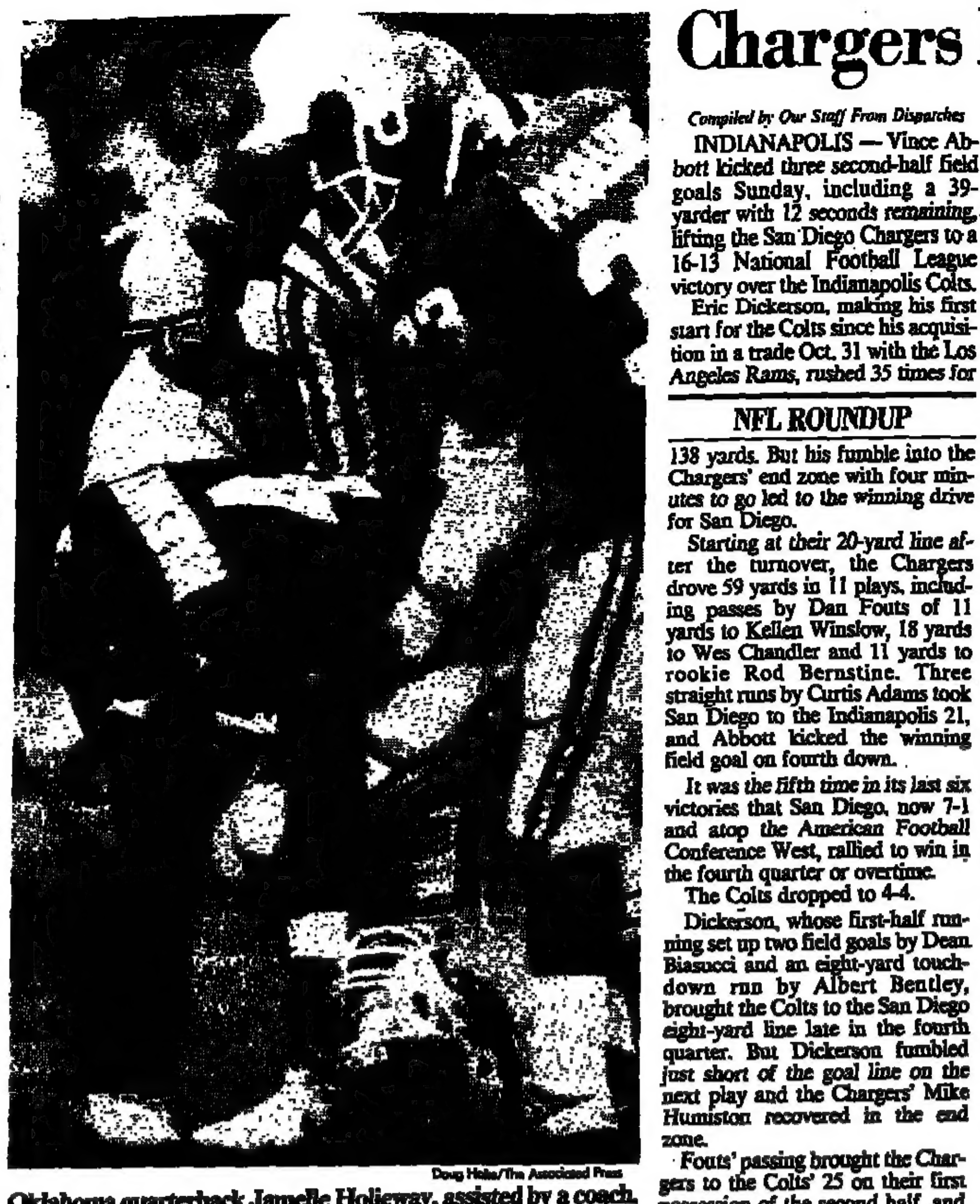
Georgia 23, Florida 10: In Jacksonville, Florida, freshman Rodney Hampton gained 103 yards, Lars Tate scored on two one-yard runs and Georgia held tailback Emmitt Smith to 46 yards in 13 carries.

Michigan State 45, Purdue 3: In East Lansing, Michigan, Blake Ezor rushed for 151 yards and Lorenzo White ran for 144 to set up Michigan State for a showdown next week against Indiana. A victory would send the Spartans, 5-0-1 in Big Ten play, to the Rose Bowl for the first time since 1966.

Arkansas 10, Baylor 7: In Fayetteville, Arkansas, James Rouse scored on a one-yard run with 47 seconds left to keep alive Arkansas's hopes for a Cotton Bowl bid. Odis Lloyd intercepted a pass on the final play to seal the victory.

Alabama 22, Louisiana State 10: In Baton Rouge, Louisiana, Bobby Humphrey rushed for 177 yards on 35 carries and scored on a 10-yard fourth-period run to help Alabama hand LSU its first loss of the year.

Dartmouth 12, Columbia 10: In New York, Carl Romero kicked a 32-yard field goal with 1:45 remaining as Dartmouth extended Columbia's Division I losing streak to 39 games. The losers' Kurt Dasbach was a half-yard wide on a 35-yard field goal attempt with 24 seconds left. (AP, UPI)



Doug Hoke/The Associated Press

Oklahoma quarterback Jamelle Holieway, assisted by a coach, an official and teammate Pat Collins after injuring his knee.

Chargers Rally to Down Colts, 16-13

Compiled by Our Staff From Dispatches

INDIANAPOLIS — Vince Abbott kicked three second-half field goals Sunday, including a 39-yarder with 12 seconds remaining, lifting the San Diego Chargers to a 16-13 National Football League victory over the Indianapolis Colts.

Eric Dickerson, making his first start for the Colts since his acquisition in a trade Oct. 31 with the Los Angeles Rams, rushed 35 times for

NFL ROUNDUP

138 yards. But his fumble into the Chargers' end zone with four minutes to go led to the winning drive for San Diego.

Starting at their 20-yard line after the turnover, the Chargers drove 59 yards in 11 plays, including passes by Dan Fouts of 11 yards to Kellen Winslow, 18 yards to Wes Chandler and 11 yards to rookie Rod Bernstine. Three straight runs by Curtis Adams took San Diego to the Indianapolis 21, and Abbott kicked the winning field goal on fourth down.

It was the fifth time in its last six victories that San Diego, now 7-1 and atop the American Football Conference West, rallied to win in the fourth quarter or overtime.

The Colts dropped to 4-4.

Dickerson, whose first-half running set up two field goals by Dean Biasucci and an eight-yard touchdown run by Albert Bentley, brought the Colts to the San Diego eight-yard line late in the fourth quarter. But Dickerson fumbled just short of the goal line on the next play and the Chargers' Mike Humiston recovered in the end zone.

Fouts' passing brought the Chargers to the Colts' 25 on their first possession of the second half, and Abbott kicked a fourth-down, 42-yard field goal for San Diego's first points.

The Chargers got the ball back midway through the period at the Indianapolis 40 after a fake punt on fourth down left the Colts inches short of a first down. It took six plays to reach the 19, and Abbott kicked his second field goal, from the 37-yard line.

San Diego tied the score early in the fourth quarter on a five-yard pass from Fouts to Lionel James, capping a 47-yard drive.

Dickerson had 103 yards on 24 carries in the first half, including 50 yards during the Colts' only touchdown drive late in the second quarter.

He ran six times in a row, then went to the sideline as two runs by Bentley and a 10-yard pass reception by Bill Brooks took Indianapolis to the Chargers' 30.

Dickerson returned and ran twice to the 14, and another six-yard pass to Brooks set up Bentley's scoring run, his third of the season.

Eugene Daniel returned an intercepted pass off Fouts 34 yards to the Chargers' 15 early in the second quarter, but three runs by Dickerson produced only five yards and Biasucci kicked his second field goal, a 27-yarder.

Fouts was intercepted twice more before halftime, and the Chargers managed only four first downs and 101 yards in the first two periods. Two first downs and 36 of the 101 yards came on their final possession in the closing seconds of the half, and Mike Prior's interception at the Indianapolis 10 as the period ended left the Colts with a 13-0 lead.

Bills 21, Broncos 14: In Orchard Park, New York, Robb Riddick ran for a touchdown and blocked a Denver punt to set up one of two Buffalo safeties as Buffalo beat Denver.

A steady 25-mph wind forced both teams to the ground and the Bills out-rushed the Broncos 258 to 76 yards to improve their record to 4-4, equaling the number of victories Buffalo had all last season.

Denver, the defending American Football Conference champion, was down 18-0 at the half. But the Broncos rallied for a six-yard touchdown run by Sammy Winder in the third quarter and a 15-yard scoring pass from John Elway to Vance Johnson in the fourth. Denver fell to 4-3-1.

Vikings 31, Los Angeles Raiders 20: In Minneapolis, Wade Wilson came off the bench in the second half to pass for two touchdowns and run for another, leading Minnesota over the reeling Raiders.

Minnesota quarterback Tommy Kramer, who was making his first appearance this season after recovering from a pinched nerve in his neck, yielded to Wilson at the start of the second half. Kramer, who led the league in passing last year, was 5-for-16 for 54 yards.

The Raiders, 3-5, who have lost five straight games for the first time since 1964, had four passes intercepted, three leading directly to Viking touchdowns. Rusty Hilger was picked off three times before being replaced in the third quarter by Marc Wilson. A fumble by Bo Jackson also led to a score for Minnesota, now 4-4.

Browns 38, Falcons 3: In Cleveland, Bernie Kosar threw his longest pass of the season, a 54-yard touchdown to Webster Slaughter, to snap the Browns out of a first-half lull and Earnest Byner scored three third-quarter touchdowns as the Browns defeated Atlanta.

Atlanta, 2-6, has lost all three of its games since the end of the players' strike and has been out-scored 76-3 in its last two games. Cleveland, 5-3, has beaten the Falcons seven times in eight meetings.

Cardinals 31, Buccaneers 28: In St. Louis, Neil Lomax threw three touchdown passes and Niko Noga returned a fumble for a score to spark St. Louis to 28 fourth-quarter points and give the Cardinals a 31-28 victory over Tampa Bay.

The Cardinals started the fourth quarter trailing 28-3, but Lomax rallied them. J.T. Smith hauled in a 17-yard touchdown strike from Lomax with 2:01 left to push the Cardinals ahead 31-28. Lomax drove the Cardinals 80 yards in eight plays to the winning drive.

Steelers 17, Chiefs 16: In Kansas City, Missouri, Gary Anderson, 90 seconds after missing a 41-yard field goal, drilled a 45-yarder to give Pittsburgh a 17-16 victory over Kansas City and hand the Chiefs, 1-7, their seventh consecutive loss, tying a club record.

Eagles 31, Redskins 27: In Philadelphia, Randall Cunningham's third touchdown of the game, a 40-yard completion in the end zone to Gregg Garrity with 1:06 remaining, rallied Philadelphia over Washington for probably the Eagles' most important win since the Super Bowl season of 1980.

The Eagles, who evened their record at 4-4, snapped a five-game Redskins winning streak with a six-play, 77-yard drive in which Cunningham completed four passes for 75 yards.

The Eagles rallied for their third straight victory after Washington edged ahead, 27-24, on a five-play, 75-yard drive, capped by Jay Schroeder's 47-yard touchdown pass to Gary Clark in the end zone with 2:29 remaining. Cunningham completed 18 of 31 passes for 268 yards. Schroeder completed 16 of 46 passes for 265 yards and two touchdowns. (AP, UPI)

Young Sailor: 'Only One First Time'

By Angus Phillips
Washington Post Service

NEW YORK — Two and a half years ago, Ernst Aebi sent his daughter, Tania, who was then 18, off on a trip around the world alone in a tiny sailboat because she would not do her homework.

To the astonishment of many, she made it, and on Friday New York welcomed home one of its own as frazzle-haired, free-spirited Tania and her world-weary sloop Varuna came wallowing in off a windswept sea to a heroine's welcome, including a windy missive from President Ronald Reagan.

Thousands convened to greet her at South Street Seaport, where she tied up the maroon, 26-footer (7.92-meter), officially ending the journey of a lifetime.

And what did she learn from the last 30 months, in which she rode the Red Sea, the Indian Ocean, the Pacific Ocean, the Panama Canal, the Mediterranean Sea and the North Atlantic, surviving capsize, a collision with a freighter and long bouts of depression and loneliness?

"I learned that I can do what I set out to do," she said, smiling. "But I'm still not sure I can quit smoking."

Tania Aebi's story is one for the books, even if the record books do not seem interested. She would have been the youngest person to sail around the world alone, eclipsing 21-year-old Robin Lee Graham's record by a matter of days, except for an oversight that rendered her ineligible.

In Samoa, she gave a hitchhiker a ride 80 miles (129 kilometers) between islands, and because she never went back to cover the stretch alone, keepers of sailing records say her 27,000-mile voyage does not classify as single-handed.

She doesn't care.

"It was like taking someone from here to Atlantic City," Aebi said of the lift between islands. "I didn't think it would matter. The island was in sight. To me, a passage was weeks, months."

Aebi's father conceived the idea to send his daughter around the world alone when she proved a difficult student and refused to go to college after graduating from an alternative New York high school called City As School.

She was working as a bicycle messenger when he made his offer: Aebi, a surrealist painter, would buy the $40,000 boat and lend it to her if she would support herself by writing as she went. Ten of her articles have appeared in Cruising World magazine.

Ernst Aebi, a sailing novice, had taken his three children across the Atlantic in a 38-foot boat the year before. So Tania, with only that experience, struck out without even rudimentary navigation skills, learning as she went.

"One day I said yes, we ordered the boat, and then it was too late," she said. "I left knowing nothing." She finally figured out celestial navigation when she got to the Galapagos Islands. Until then, she went on "pure dumb luck."

Despite the public acclaim, which drew a dozen television crews Friday, she does not regard her achievement as such a big deal.

"I keep wondering why all these people are here," she said. "I try to look at it from the perspective of a nonsailor — sailing off into the sunset and all that.

"But to me sailing is just a way of getting from one place to the next. It's nice sometimes and sometimes it's not."

Several hundred people bought tickets Friday aboard the 125-foot Andrew Fletcher, which bucked strong winds to meet Aebi as she was towed in the last few miles from the Verrazzano Narrows Bridge. Varuna's small auxiliary engine had died again, as it had often during the trip.

With self-effacing honesty, Aebi fielded queries at a crowded press conference on the dock.

"Did you pray?" she was asked.

"Oh, all the time."

"Tell us about your worst moments."

"Well, when you see water knee-deep in the cabin, you ask some questions."

Regrets?

"It will never be the same as this again," she said later. "There's only one first time."

SCOREBOARD

Basketball

National Basketball Association Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	2	0	1.000	—
Philadelphia	1	1	.500	1
New Jersey	0	1	.000	1½
New York	0	2	.000	2
Washington	0	2	.000	2

Central Division

	W	L	Pct.	GB
Atlanta	2	0	1.000	—
Chicago	1	0	1.000	½
Cleveland	1	1	.500	1
Detroit	1	1	.500	1
Indiana	1	1	.500	1
Milwaukee	1	1	.500	1

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Denver	2	0	1.000	—
Houston	1	0	1.000	½
Dallas	1	1	.500	1
Sacramento	1	1	.500	1
San Antonio	1	1	.500	1
Utah	1	1	.500	1

Pacific Division

	W	L	Pct.	GB
Portland	2	0	1.000	—
L.A. Lakers	1	0	1.000	½
Seattle	1	1	.500	1
Golden State	0	2	.000	2
L.A. Clippers	0	2	.000	2
Phoenix	0	2	.000	2

FRIDAY'S RESULTS

Cleveland 32 29 26 27—114
New Jersey 29 30 26 23—108

Harper 10-18 5-14 26, Curry 9-16 2-3 20; B. Williams 10-18 3-6 23, Gminski 7-13 8-11 22. Rebounds: Cleveland 54 (Hubbard, West 11), New Jersey 65 (B. Williams 16). Assists: Cleveland 27 (Harper, Price 7), New Jersey 22 (Washington 8).

Indiana 16 26 25 28— 95
Philadelphia 29 22 32 25—108

Barkley 10-13 8-9 29, Hinson 8-16 3-5 19; Person 9-16 3-4 21, Tisdale 8-20 0-0 16. Rebounds: Indiana 46 (Williams 12), Philadelphia 49 (Hinson 12). Assists: Indiana 26 (Person 7), Philadelphia 25 (Cheeks 10).

Washington 19 26 28 24— 97
Atlanta 34 37 15 26—114

[illegible]

Neal Hamberg/Reuters-United Press International

Robert Parish's 16 points Friday night against Milwaukee and 17 points and 13 rebounds Saturday in Washington helped the Boston Celtics win their first two games of the NBA season.

Tennis

Men's Tournaments

[illegible]

Women's Tournaments

[illegible]

Football

Selected U.S. College Results

EAST

Alfred 48, Rochester 20
Amherst 13, Trinity 10
Brockport St. 7, Hamilton 0
Brown 10, Lehigh 7
Citadel 34, Boston U. 7
Clarion 35, Shippensburg 0
Coast Guard 50, Siena 0
Colgate 39, Princeton 15
Connecticut 20, Delaware 19
Dartmouth 12, Columbia 10
Fordham 45, Pace 26
Holy Cross 41, Harvard 6
Ithaca 37, Cortland St. 15
Maine 28, New Hampshire 14
Northeastern 21, Rhode Island 3
Penn 23, Lafayette 14
Pittsburgh 17, Rutgers 8
Syracuse 34, Navy 10
Tufts 27, Colby 10
Villanova 44, Massachusetts 27
W. Maryland 14, Swarthmore 3
West Virginia 28, Virginia Tech 16
Williams 35, Wesleyan 7
Yale 28, Cornell 9

SOUTH

Alabama 22, LSU 10
Clemson 13, North Carolina 10
E. Kentucky 44, Tennessee Tech 8
E. Tennessee St. 29, N. Carolina St. 14
East Carolina 31, Temple 26
Florida St. 34, Auburn 6
Furman 38, VMI 0
Georgia 23, Florida 10
Miami (Fla.) 54, Miami (Ohio) 3
Penn St. 21, Maryland 16
SW Louisiana 31, Memphis St. 7
SW Texas St. 24, McNeese St. 10
Tennessee 41, Louisville 10
Tenn.-Chattanooga 13, W. Carolina 11
Tulane 30, Mississippi St. 19
Vanderbilt 38, Kentucky 29
Virginia 23, Georgia Tech 14
W. Virginia Tech 41, Davidson 25
Wake Forest 30, Duke 27
William & Mary 31, Bucknell 6

MIDWEST

Bowling Green 30, Kent St. 20
Butler 29, Valparaiso 22
Cent. Michigan 31, Ohio U. 17
Dayton 28, Drake 6
DePauw 47, Case Western 27
E. Michigan 38, Toledo 9
Illinois St. 17, N. Michigan 10
Indiana 34, Illinois 22
Indiana St. 40, Cincinnati 16
Iowa 52, Northwestern 24
Kansas St. 17, Kansas 17, tie
Michigan 30, Minnesota 20
Michigan St. 45, Purdue 3
N. Illinois 29, W. Illinois 14
Nebraska 42, Iowa St. 3
North Dakota 30, South Dakota 29
Notre Dame 32, Boston Col. 25
W. Michigan 31, Ball St. 16
Wisconsin 26, Ohio St. 24
Wooster 14, Oberlin 8
Youngstown St. 20, Murray St. 13

SOUTHWEST

Arkansas 10, Baylor 7
Arkansas St. 27, N. Texas St. 20
Houston 60, Texas 40
N. Arizona 24, Tulsa 20
Oklahoma 29, Oklahoma St. 10
Texas Tech 36, Texas Christian 35
W. Texas St. 33, NW Missouri St. 21

FAR WEST

Air Force 27, Army 10
Arizona 21, Washington 21, tie
Arizona St. 37, Oregon 13
Boise St. 36, Nevada-Reno 31
Brigham Young 38, San Diego St. 21
Colorado 27, Missouri 10
Idaho 14, Montana St. 7
Montana 63, Idaho St. 0
Nev.-Las Vegas 30, Long Beach St. 17
Southern Cal 39, Stanford 24
Texas-El Paso 30, Utah 24
UCLA 52, Oregon St. 17
Utah St. 25, New Mexico St. 6
Wyoming 59, New Mexico 16

CFL Standings

Eastern Division

	W	L	T	PF	PA	Pts
x-Winnipeg	12	5	0	536	389	24
x-Toronto	10	6	1	464	409	21
x-Hamilton	7	11	0	470	509	14
Ottawa	3	15	0	377	598	6

Western Division

	W	L	T	PF	PA	Pts
x-Brit Clmb	11	6	0	468	356	22
x-Edmonton	11	7	0	617	462	22
x-Calgary	10	8	0	453	517	20
Saskatchwn	5	11	1	350	495	11

(x-clinched playoff berth)

Friday's Result

Calgary 42, Hamilton 36

Saturday's Result

Edmonton 39, Ottawa 21

European Soccer

SPANISH FIRST DIVISION

Real Madrid 8, Atletico Madrid 4
Barcelona 2, Celta 0
[illegible]
Betis 3, Cadiz 2
Valladolid 8, Sabadell 0
Real Sociedad 1, Majorca 0
Osasuna 0, Espanol 0
Zaragoza 2, Valencia 2
Las Palmas 1, Sevilla 2

Points: Real Madrid 17; Atletico Madrid 16; Real Sociedad, Celta, Osasuna, Athletic Bilbao 12; Cadiz, Valencia 11; Betis, Zaragoza, Valladolid, Sevilla 10; Barcelona, Espanol 9;

[illegible]

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
NY Islanders	9	4	1	19	62	42
New Jersey	9	4	0	18	51	48
Washington	7	6	1	15	47	43
Pittsburgh	5	7	3	13	55	57
NY Rangers	4	9	3	11	63	71
Philadelphia	4	9	2	10	39	59

Adams Division

	W	L	T	Pts	GF	GA
Montreal	9	4	3	21	66	52
Quebec	8	5	1	17	56	47
Buffalo	6	5	3	15	50	54
Boston	6	6	2	14	53	52
Hartford	5	7	2	12	42	51

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Toronto	8	5	0	16	43	55
Detroit	6	6	2	14	45	47
Minnesota	5	6	3	13	47	56
Chicago	5	7	2	12	58	43
St. Louis	4	8	1	9	42	50

Smythe Division

	W	L	T	Pts	GF	GA
Edmonton	9	5	1	19	72	53
Winnipeg	7	5	0	14	44	42
Calgary	6	5	2	14	63	51
Vancouver	4	8	1	9	46	53
Los Angeles	4	9	1	9	37	58

FRIDAY'S RESULTS

Hartford 1 0 0—1
Detroit 1 1 1—3

Yzerman (10), Ashton (4), Kocur (1); Dineen (8). Shots on goal: Hartford (on Stefan) 8-7-14—29; Detroit (on Liut) 7-9-11—27.

Quebec 2 1 1—4
Washington 0 1 0—1

Duchesne (2), Goulet 2 (11), Lambert (2); Ridley (5). Shots on goal: Quebec (on Malarchuk) [illegible]

[illegible]

Transition

[illegible]

Manuel F. Martinez/The Associated Press

Argentina Beats Australia in Rugby

A late surge by Argentina, in striped shirts, produced a 27-19 upset Saturday in Buenos Aires, with captain Hugo Porta supplying 23 points. After a previous draw, Australia's defeat meant the loss of the two-test rugby series. Meanwhile, Wales scored eight tries and racked up a 46-0 demolition of United States in Cardiff.

A Marketing Man Sells Water to the Irish

International Herald Tribune

PARIS — Geoff D. Read is a 32-year-old marketing expert from Dublin who wears a blue blazer, carries an attaché case and is tired of Ireland's image as the land of shamrocks and leprechauns. But the lilt of Irish laughter undoubtedly accompanies him all the way to the bank because he has opened a world market for one of County Limerick's chief products: rain.

It isn't that Geoff Read sells rain — that would smack of the blarney he so dislikes — but that he markets the result of an annual rainfall of five million cubic meters

MARY BLUME

that is trapped in a limestone aquifer of the lower Carboniferous Age. In other words, he sells mineral water.

His Ballygowan Irish Spring Water, in a distinctive green bottle, is sold not only in Ireland but in continental Europe and, as of a few weeks, in four test markets in the United States where it is distributed by Anheuser-Busch.

He has even made inroads in France, where a ship chandler in Brest takes on Ballygowan in tins and where, in 1986, Read won the international grocery oscar at a Paris trade fair for the best non-alcoholic beverage.

"That was very pleasing," he says, "because the judges were sitting with bottles of Perrier when they presented the oscar. I said next time I was up there I'd expect to see them drinking Ballygowan." Perrier had 95 percent of the Irish mineral water market in 1984, when Ballygowan was launched, Read says. It now has only 15 percent.

The Ballygowan spring is on the site of the 800-year-old St. David's well, which refreshed the Knights Templar on their way to fight the infidel. The spring is next to a handsome Norman ruin, Desmond Castle, and is located in the midst of lush farmland.

"I hate to say it but the water was used to cure madness," Read says, "to cleanse people of the fairies. It sounds weird but I'm sure it meant something in those days."

Read would as soon consign the fairies to the Celtic twilight and isn't really thrilled that on the U.S. label Desmond Castle looks rather Disneyish and twee. Nor is he thrilled that the U.S. distributors will make their big push towards St. Patrick's day, a holiday not noted for consumption of mineral water.

"The ethnic market may be there but there's no historical evidence that they buy Irish products over all others. I don't think the shamrock and leprechaun image helps sell high quality consumer products."

His pitch emphasizes that the spring is in the southwest corner of Ireland where prevailing winds assure protection from acid rain and pollution. No pesticides or herbicides are used on the land surrounding the spring, and there is no industry or intensive farming.

"Ireland is so easily associated with fresh springs and green fields and purity in that sense," Read says. "That's our real strength."

Read thought of the name Ballygowan — "I thought it had a nice ring to it" — before he actually had a product. He came to mineral waters via studies in electronics and a job in London with a shoe company where he learned about marketing and became a designer of cowboy boots because that was what customers wanted. "It was marketing in a very pure sense," he says.

Read, who is 6 foot 3, kept banging his head against doorways as he ambled about in his high-heeled boots and he had sore feet because the toes were very pointed. He returned to Ireland in 1979 and took a government-sponsored start-your-own-business course, supporting himself as a landscape gardener and male model and deciding that mineral water was the ideal product to sell under the Ballygowan label.

"The weekends would be spent filling bottles of water and bringing them to my parents' house and labeling them on the kitchen table." Market testing showed a good response and he went south to find a better spring.

He found the company's present spring, which was at that time the site of a soft drink bottling plant run by Richard Nash. In 1984 Nash and Read went into partnership (Anheuser-Busch Beverage Group Inc. took over a majority share in 1986) and Read's present position is marketing director. The Ballygowan range consists of flat and sparkling waters and fruit-flavored drinks.

"The more people told me I was nuts the more I was determined to prove them wrong," Read says. Today Ballygowan is used as a case study for marketing courses and Read's photograph is used to promote the start-your-own-business scheme he participated in.

With a strained budget, he was quick to seize on free advertising opportunities and soon learned that no one would take offense at being seen with a glass of Irish water. Ballygowan was adopted by politicians of all parties.

"I used to push the product in front of them when they were having a press conference. Eventually they started doing it themselves so that every time they were on the television or in newspapers, in front of them was lined up bottles of Ballygowan."

The heavily carbonated sparkling water has a strong flavor because of its high calcium, low sodium content. Aside from cleansing users of the fairies, it should help prevent cholesterol buildup, but Read doesn't want to emphasize the health angle.

"To me that's a different market. These are the extra things we have to offer — that it tastes better, that it's Irish, that it comes from the western seaboard of Europe, it's from a source that was discovered 800 years ago, it's a hard water which is very much in vogue now. To play up the health thing is to negate the rest."

Ballygowan has been used to cure eczema but then it has also been put in car batteries and radiators. "I met a guy who cooks carrots in the sparkling water because it makes them nice and fluffy."

Irishmen who don't give a fig for fluffy carrots drink their Ballygowan with vodka or with white wine in a spritzer. They don't, like Perrier drinkers, add a slice of lemon.

"They're much less into dressing up drinks in Ireland than they are in the States. For example, they don't chill the glasses, they very rarely chill the bottle. Presentation is a problem — so many people just pour it into a glass and give it to you."

Read hopes in 1988, with the opening of the U.S. market, to do a volume of eight million Irish pounds. The Irish turnover is 2.5 million pounds and there are thoughts of turning the company's 40 acres of land into a tourist attraction (Anheuser-Busch is also in the theme park business) which means that, despite Read's prejudice, leprechauns and shamrocks will abound. There is also talk of a cosmetics branch, the product being a natural for a moisturizer.

All in all, not a bad start for the mere product of a heavy rainfall. "Money isn't the motivating factor," Read says. "I get a great kick out of people I've never met before drinking something that just came out of the air."

Romantic Ireland may be dead and gone, but marketing and blarney may not, after all, be that far apart. In any case, to satisfy tradition, Read says there's even an Irish joke about his product, directed at the country's supposedly slow-witted southerners.

"What's a Kerry cocktail?" he says. "Ballygowan and water."

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"A kick out of people drinking something that came out of the air."

LANGUAGE

A Crash Is a Fall Is a Drop Is a . . .

By William Safire

WASHINGTON — On black Monday, *crash* was the word most frequently used at first to describe the 508-point drop in the Dow Jones industrial average that occurred Oct. 19, 1987, a day that many investors think will live in infirmity. Donald T. Regan, former Treasury secretary, called C-Day "black and blue Monday," a nice play on the battered image of "black and blue" with the traditional bad-news sense of "black [whatever] day" and the don't-want-to-go-back-to-work sense of "blue Monday."

However, some considered *crash* — evocative of the "crash of '29" — to be alarmist.

Among politicians, Senator Paul Simon called it a *plunge*, Jesse Jackson broadened it to a *crisis*, Governor Mike Dukakis preferred the milder *slide* and Representative Jack Kemp used the mildest *drop*. White House aides used *panic*, stressing the unfounded and irrational nature of the cause of the sharp downward move of investor confidence, although President Reagan in his subsequent news conference preferred the upbeat *correction*.

In the news business, The New York Times used both *plunge* and *drop*: "Stocks Plunge 508 Points, A Drop of 22.6%"; later in the week, sensitive to the scariness of *plunge*, the Times gave readers a lesson in synonymy: "Stocks Fall, But Avert Plunge."

The Associated Press alternated between *plunge* and *decline*; at The Washington Post, *drop* was the key verb with *plunge* in the subhead, although its financial columnist, Hobart Rowen, chose the more vivid *collapse*.

In a column immediately after the event, I used the less formal *nosedive*. An editorial writer on The Washington Post preferred *nasty fall* but the Times's editorialist observed that "words like crash did not suffice; it was, people said, more like a meltdown."

Meltdown, offering the alliterative *market meltdown*, showed signs of becoming the noun of choice (Haynes Johnson, a Washington Post columnist, was even more alliterative with the *frantic, fearful falls of Black Monday*).

"Whether today was a financial meltdown or not," said John J. Phelan Jr., unflappable chairman of the New York Stock Exchange, apparently responding to the use of the word in a question, "I wouldn't want to be around for one worse than this." USA Today headlined this as "Market 'Meltdown,'" grasping firmly at the aforementioned alliterative possibilities. (The most recent sense of the term is "ultimate nuclear-reactor accident," although the word *meltdown* originated in the ice-cream industry in the 1930s, according to the vanilla king Norman Beck of Beverly Hills, California.)

Let's hit the thesaurus key on the Xywrite word-processing program and see what is left to denote a sudden fall: *tumble* is still available, though that has a jocular quality, and *setback* and *downturn* are far too mild. *Slump* does not have the requisite suddenness in decline for this financial terminology, since it is often used as a synonym for "mild recession." Here's a good verb: *plummet*, from the Latin for the heavy metal we call lead, which sinks faster than most elements. This thesaurus does not have *shakeout*, a market term falling between the harsh *crash* and the more neutral *drop*.

Fall does not have the needed suddenness, or quality of the unexpected, implicit in *crash* or even *drop*, but do not underestimate this short verb; it recalls the fall of the rebellious angel, Lucifer, and post-mortems on the market are sure to be headlined "After the Fall."

Hence, loathed Melancholy: *rebound* has its family — *bounceback*, *snapback*, *comeback*, *recovery*, etc.

THE Presidential Campaign Hotline is a computerized information service put out by the American Political Network. I was downloading its stuff the other day when I came across a memory-jogging statement by Democratic presidential candidate Paul Simon of Illinois. (*Download* is computerese for "receive from a larger computer into a smaller unit," the opposite of *upload*, "send from a smaller to a larger computer" — both locutions out of *offload*, an 1850 South African expression meaning "unload," and the even earlier *overload*, a 1553 compound.)

Senator Simon had previously endeared himself to me by announcing early in the campaign, "I'm not a neo-anything," thereby putting down both neoconservatives and neoliberals (actually, Simon is a post-modern neoliberal, which means "old-fashioned New Dealer"). He told a San Antonio audience, "On fiscal policy, I am conservative."

That triggered a synapse in my head attached to "dynamic conservatism," a semi-oxymoron favored by President Eisenhower, who also fiddled around with "moderate progressivism." Adlai Stevenson of Illinois, preparing to run against the unbeatable Ike for the second time, had this to say:

"I am not sure what dynamic moderation or moderate dynamism means. I am not even sure what it means when one says that he is a conservative in fiscal affairs and a liberal in human affairs. I assume what it means is that you will strongly recommend the building of a great many schools to accommodate the needs of our children, but not provide the money."

A similar instance of unconscious harking back came out of the mouth of Nicaragua's Daniel Ortega Saavedra. Asked why he refused to conduct direct talks with the contra leader Adolfo Calero, Ortega said, "We have nothing to talk about with Mr. Calero, because the owner of the circus is Mr. Reagan. We have to talk with the owner of the circus and not with the clowns."

The predecessor metaphor was in a line attributed to Winston Churchill. When the British ambassador in Rome asked Prime Minister Churchill whether it would be wiser to raise a question with Mussolini or with Il Duce's foreign minister and son-in-law, Count Galeazzo Ciano, the British leader replied: "Never hold discussions with the monkey when the organ grinder is in the room."

If this keeps up, we will turn into a nation of paramnesiacs, all with a sense of deja-voodoo economics. I harked myself back the other day in a piece on the collapse, drop or rolling readjustment of the stock market, suggesting some "had been taking credit for the rain and must now take the blame for the drought." That was an unconscious steal from Dwight W. Morrow, the banker who became President Coolidge's ambassador to México.

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